

**QUARTERLY TASK ORDER  
PROGRESS AND COST  
REPORT**

**OCTOBER TO DECEMBER  
2001**

**RESEARCH DESIGN FOR  
KIGALI ECONOMIC  
DEVELOPMENT STRATEGY**

Prepared for



Research Design for Kigali Economic Development Strategy  
United States Agency for International Development  
Contract No. LAG-I-00-99-00036-00, Task Order No. 804

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## **QUARTERLY TASK ORDER PROGRESS AND COST REPORT**

**OCTOBER TO DECEMBER 2001**

### **RESEARCH DESIGN FOR KIGALI ECONOMIC DEVELOPMENT STRATEGY**

**Task Order No.:** LAG-I-00-99-00036-00, TO No. 804

**Date of Issuance:** September 1, 2001

#### **Task Order Description**

To address the four components of the Kigali Economic Development Strategy by monitoring the quality of the research and analysis produced and structuring and helping to draft the strategy and action plan. The research process must address the Rwandan context in terms of data availability, access to stakeholders, and focus of the project on producing a practical economic development strategy and action plan. The purpose of the strategy is to help Kigali increase its economic growth and improve access to jobs and income for its poor population.

**Amount Obligated Under Task Order:** \$ 58,033

**Total Potential Task Order Amount:** \$ 58,033

**Dollars Expended To-Date:** \$25,620

#### **Task Order Progress Report**

- Senior Advisor, Mr. Ernie Leonardo visited Kigali, November 21 to December 5, 2001.
- A draft report of Kigali Economic Development Strategy (KEDS) data analysis (400 pages) as per the research outline was prepared in March 2001 and submitted by Kigali Institute of Science and Management (KIST) under separate contract.
- The attached Executive Summary was presented to and discussed with Ms. Rebecca Black, USAID/Pretoria, Mr. Pierre Munyura, USAID/Kigali and Mr. Richard Goldman/USAID.
- The Executive Summary was also presented to and discussed with World Bank staff in Kigali, the Executive Committee of Kigali City Council, and the Rwandan Ministry of Finance and Economic Development.
- A Draft Strategic Plan is being developed and will be submitted to the City of Kigali.



### **Progress of Major Activities**

The first phase of the project has already been completed:

- The research has been structured
- A research plan produced
- Terms of reference for local researchers have been drafted

### **Key Personnel**

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# **EXECUTIVE SUMMARY**

## **KIGALI ECONOMIC DEVELOPMENT SURVEY (KEDS) KIGALI INSTITUTE OF SCIENCE AND MANAGEMENT (KIST)**

**NOVEMBER 2001**

### **CITY OF KIGALI: PROFILE THE HISTORICAL EVOLUTION OF THE CITY OF KIGALI**

When the Berlin conference for the partition of Africa took place (1884 and 1885), Rwanda and Burundi fell into the hands of Germany. This territory was then known as Rwanda-Urundi and had its administrative headquarters in Bujumbura, the present capital of Burundi.

In 1906 Germany appointed Dr. Richard Kandt as the first imperial resident governor for Rwanda. He chose Nyarugenge hill as the site of the capital because of its central location in the country. His residence, which also served as offices, was situated near the present Gakinjoro market. The whole of Rwanda was administered from here.

In 1907, administration of Rwanda, which had still depended on Bujumbura, was declared independent, and the following year in 1908, the administrative centre for Rwanda was called Kigali.

By the year 1909, only 20 shops had been built on the present site of Nyarugenge market and were mainly owned by Indian traders. A military camp was also put up at the site where the Kigali central prison is found today.

Kigali eventually developed into an important commercial centre because of its central position. It became a transit centre for the commercial activities between Bukoba and Kigoma (in Tanganyika, now Tanzania) via Bujumbura and also between Kisangani in DRC (former Belgian Congo) and Kampala (in Uganda). This development induced many Arab and Indian traders to move from Nyanza, where the King's palace was, to Kigali. After the Second World War, the Belgians took over from Germany in the administration of Rwanda, but still maintained Kigali as the administrative centre for the whole country. The city has since continued to grow into a strong capital and an important commercial business centre, with modern infrastructure such as road links to the rest of the country, and Kanombe international airport as a gateway to the rest of the world.

### **Geographical Location**

Kigali City, the capital of Rwanda, is situated almost in the centre of the country. Its geographical position is on Latitude 1° 57'S and on longitude 30° 04' E.

Kigali is situated in the natural region called Bwanacyambwe within the proximity of the Nyabugogo river basin, between Mount Kigali (1852 m high) and Mount Jali.

The city is built on interlocking hills, which progressively converge and are separated from each other by large valleys giving them oval shapes. Originally the city occupied the hills of Nyarugenge and Nyamirambo which covered an area of about 200 hectares at the time of independence.

The city stretches from the centre to include the following: Towards the east, the hills of Kacyiru, Kimihurura, Mburabuturo, Nyarutarama, Remera and Kanombe. Towards the south over the slope of mount Nyarutarama. Towards the west over the slope of mount Kigali, on slopes of Kabusunzu hills and of Kimisagara.

Towards the north over the slopes of mount jali and hills of Gisozi, Gaculiro, Kagugu and Kibagabaga.

### **Administrative Divisions**

The actual urban provincial boundaries of Kigali as defined by the decree No. 896/90 of 1990 was composed of three communes (districts) namely: Nyarugenge, Kicukiro, and Kacyiru. These communes comprised of a total of 20 sectors and 91 cellules. Today the city is made up of 8 districts (communes), namely: Nyarugenge, Kacyiru, Nyamirambo, Kicukiro, Gikondo, Kanombe, Gisozi and Butamwa.

### **Population**

The population of Kigali City has been growing over the last two decades, but a new growth trend developed after the 1994 war and genocide, when there was a dramatic rise in the population caused by the return of Rwandans from various parts of the World. Most of the returning Rwandans tended to go to the capital where there was considerable security. The population growth of Kigali City was estimated by different surveys carried out through out the country as follows: In 1960, the population was 6,000 peoples growing to 235,664 in 1991 and more than doubled between 1991 and 2000 reaching a figure of 604,966 people.

It is further observed that in 2000, women constituted about 52 percent of the city's population and that about 56 percent of the entire City's population were age below 20 years. They give a dependence ratio of 1.4:1 i.e., the population which is below 20 and above 60 compared to that between 20 and 60 years of age (one economically active person support about one and half persons who are non economically actives).

The actual City population's annual growth is estimated to be 10 percent. The population growth in the city will continue at this high rate because of the rural to urban migration tendency. It is estimated in the Kigali City Master plan 2020 that only 43 percent of the city population were originally natives of the city, while 56.8 percent had migrated from other areas as shown by the figure below. The 56.8 percent migrants to CoK were composed of



14.6 percent who were born in other countries, 13.1 percent from Gitarama prefecture, 6.8 percent from Butare, 5.8 percent Kigali rural and 16.6 percent from other prefectures.

### **Family Composition and Size**

Kigali City is estimated to have 131,106 households and a total population of 604,966 inhabitants. The average size of household is therefore 5 persons. It is estimated that 51 percent of heads of household are male while 44 percent are women and 5 percent are children.

### **Education Level**

The socio-economic survey of August 2000 shows that 10 percent of Kigali City's population aged 7 years and above has never had any formal education, 54 percent have primary education and 5 percent have post-secondary education. The level of education is extremely low and therefore the majority of urban dwellers lack the knowledge and skills to work productively in an urban environment. Most of the people lack capacity to utilize available and useful information to reduce the poverty that is permeating their lives.

After 1994, several primary and secondary schools were created, mainly initiated by parents. The existing schools/education infrastructures are classified in three categories: nursery, primary and secondary schools. Kigali City has 26 private nursery schools scattered in different areas. The City has 53 primary schools, 16 of which are government schools, 26 church schools and 11 private. Primary school pupils are estimated to number 50,636 and teachers 1,261, meaning one teacher for 40 pupils on average. The majority of the secondary schools are private, started by parents: for example, Kacyiru district has 37 secondary schools with 28,597 pupils. Teachers at secondary level number 886, that is one teacher for 32 students on average.

### **Land use by type**

The total planned area is about 47.21 percent, covering only 1,666 hectares and non-planned area is about 52.69 percent, which covers 18,593 hectares.

The new urban area of Kigali City is around 349 km<sup>2</sup>, consisting of original area of 112 km<sup>2</sup>, which was defined by decree-law no 11/97 of 20/04/1979, and modified by the presidential order no 896/90 of 27/11/1990 to include additional area of about 237 km<sup>2</sup>.

### **Employment by occupation**

The economically active population of the CoK constitutes those who are 10 years old and above which is distributed as follows: 37 percent are engaged in the agro-husbandry mainly subsistence, 23 percent in the informal sector, 13 percent in the public sector, 8 percent in the private sector, 5 percent in the commercial sector and 14 percent in others.

This clearly shows that the majority about 75 percent of the City dwellers are underdeployed which definitely put a big strain on the City's resources.

### **Assess to piped water**

It is noted that out of 131,106 households in Kigali, 43 percent of the households (52,682) have access to pipe water, either found indoors or within the plot. 40 percent of the households (48,444) get their water from public standpipes. The remaining 17 percent fetch water either from the ponds, wells, or lakes around their dwelling areas.

### **Households with access to power**

6 percent of the people in Kigali use electricity for cooking while 73 percent use it for lighting and the rest of the residents/ households use other sources of power like charcoal, firewood and kerosene. This shows that the majority of the households in the City are low-income earners.

### **School Enrolment**

There are 52 private nursery schools, 53 primary schools and 37 secondary schools in Kigali City. The total enrolment is 6,854 children at nursery level, 52,155 pupils in primary schools and 16,903 students in secondary schools. All the primary and secondary schools are found in Nyarugenge, Kacyiru and Kicukiro.

### **Number of hospital beds available**

The usual capacity of beds in CHK is 511 only with one bed being occupied by 1,184 persons per year. The rate of bed occupancy in CHK is 93 percent for general services but it is 100 percent in services like gyneco-obstetric, pediatric and internal medicine.

King Faycal, on the other hand, has a capacity of 261 beds but a low occupancy rate of 50 percent.

In addition to the above two hospitals, there are dispensaries located throughout the districts with a total number of 181 beds.

### **Paved road Length**

The total length of roads of Kigali City is around 732 km of which 102 km are paved. In general, sewerage and drainage systems in Kigali City are very poor and almost do not exist.





## **Solid waste collection**

The number and geographical distribution of the biggest producers of solid waste are located in the three districts of Nyarugenge, Kacyiru, and Kicukiro with total combined number of 394 restaurants 10 markets, 18 hostels and 47 industries.

## **Solid waste collected in Kigali City**

There is no data available on solid waste characteristics for each district. However it has been estimated that the city population produces about 450 tones of garbage per day, whose density is 0.4 tonne/m<sup>3</sup>.

The composition of this waste is as follows: organic materials 70 percent, textiles 10 percent, veers 5 percent, plastic materials 5 percent, paper materials and other constituents 10 percent. It has also been estimated that a person can produce about 0.6 kg of waste per day. However, only 60 percent of the garbage is collected. Solid waste is collected 2 days per week from homesteads in all parts of the CoK. Rain water and other natural means are used to remove solid waste on other days.

## **Number of car accidents per 1,000 population**

In 1999 in Kigali City there were an average of more than 150 car accidents per month, caused by the concentration of principal administrative activities and commercial activities within the city, as well as pedestrians and motorcyclists. This works out to be 3 accidents for 1,000 population.

## **Number of crimes per 1,000 population**

For the Year 2000, it was recorded that the number of crimes was 85 per 1,000 population.

## **Fire services**

In Kigali, fire services are provided by a full-fledged fire department at Kanombe airport supported by military fire units. Statistics for the Year 2000 reveal that in Kigali there was one fire accident per 1,000 population. However, with the existing and increasing problems of traffic congestion, it is impossible for the fire engines from Kanombe airport to attend to emergencies in a certain area of the city in less than 15 to 20 minutes. There is a need therefore to construct a fully-fledged fire station in the city centre.

## **Cultural equipment**

Kigali City has 3 cultural centers:

- The cultural centre Franco-Rwandais
- The American Cultural Centre

- Islamic Cultural Centre
- Other show rooms include caisse social du Rwanda, secondary schools show rooms, National assembly, etc., where secondary marriages and other ceremonies are organized, plus IWACU Centre Kabusunzu and Kicukiro training Centre.

### **Number of Museum facilities**

There is one national Museum in Rwanda, based in Butare.

### **Number of doctors per 1,000 population**

There are 27 doctors in the whole CoK, which gives a ratio of doctors to population of 1:22,400 or 0.05 doctor to 1,000 population.

### **City product**

Kigali City's annual revenue per capital is US \$6. 1. Revenue from land and property administration contributes about 70 percent of CoK revenue.

The gross product of the CoK is 95 percent, i.e., 70 percent from land administration and 25 percent of the potential revenue collected from other sources.

### **Population in higher education**

The total number of students in all 7 higher education institutions was 3,214 in the Year 2000 while the number of lecturers was 358. Again all these institutions are located in the three districts of Nyarugenge, Kacyiru and Kicukiro.

### **Revenue of the CoK**

The tax revenue of between 2 and 3 billion is expected to be collected by CoK at the end of Year 2001. At least 50 percent of the revenue increase has been realized within the first year after revision of rates providing additional revenues of 15 billion francs.

## **JUSTIFICATION FOR STUDY**

The process of development, during the last few years, has witnessed the massive migration of the people from rural settings to urban areas all over the world. This trend in developing countries is much more pronounced as the people have been moving to cities in search of employment opportunities and better life options, especially because the rural area base environment does not offer better alternatives and lacks basic social facilities such as clinics and schools. However, this migration is done at a cost. Among other problems it has impacted greatly on urban activities due to ever-increasing pressure on urban social services. The population density has surpassed the social service facility meant for it in almost all sectors including water supply, power provision, and sewage and sewerage services. In addition, the urban



market status does not support the rural-urban influx and results in a severe unemployment crisis. In search for alternatives, many people are forced into criminal activities.

In developing countries where urban centers are growing in size and complexity, it is difficult to mobilize resources to deal with problems in time. All stakeholders need to be involved in these decisions, and base them on clear information. This study aims at contributing to this process.

The main emphasis in city development lies on the development of basic infrastructure facilities like transportation, water supply, housing, education, health, sewage, electricity supply, communication etc. Higher population growth rate than expected leads directly to the failure of these infrastructures facilities. Management and planning of these facilities therefore requires serious attention.

According to the 1991 population census, only 6 percent of the population lived in urban areas. However, in 1999 the urban population was estimated to be between 10 percent to 12 percent. This shows that the population in Kigali and other urban centers has almost doubled since 1991 and this has increased drastically the demand for housing and other urban services. It is also observed from the studies that after the 1994 genocide, the development of the city of Kigali has been spontaneous, uncontrolled and haphazard. The results of this include inefficient land use, inefficient use of limited resources, and a negative impact on the environment as well as on social and security conditions.

The rapid growth in population has also placed a high demand on urban and infrastructure development. Increasing urbanization is slowly bringing with it the problems of pollution due to increased poor waste management and insufficient sewage systems as well as pollution from vehicles, which is increasing daily.

Urban strategic planning is a complex phenomenon, which requires an enormous amount of data to support decision-making. As such, the success of planning for urban developmental activities for Kigali City depends on the quality and quantity of information available concerning various factors such as environmental, physical, socio-economic, natural, etc. It is essential to devise a computerized information system, which is capable of handling a vast amount of data collected by modern techniques and of producing up-to date information.

Kigali is a rapidly- growing city as a result of changes in the socio-economic policies of the government. Kigali is Cosmopolitan City with varied population as well as problems. There is therefore a need for long term planning of the socio-economic requirements of the city, this in turn require information and strategy at local authority level to facilitate an efficient administrative procedure, policy planning and implementation in all spheres of the development process. The Government of Rwanda has made a commitment to decentralize critical areas of resource management to the City of Kigali. This has been done to enable Kigali to lift its population above the poverty line by maximizing its economic potential such as increasing job opportunities and income, and by identifying ways of enhancing and sustaining the revenue capacity required to meet its social service needs.

An assessment of the problems and potential of the City of Kigali must inform this process. This research project is an endeavor in this direction.

## OBJECTIVES OF THE STUDY

The main objectives of this research project are to:

- Assess the economic sectors for opportunities/constraints to growth.
- Assess government-influenced factors affecting economic growth.
- Assess the inventory of natural resources for environmental planning and the current state of the CoK's water services, power, health, education, housing, etc.
- Review existing sources of the CoK's revenue with regard to rates and mechanisms of revenue collection.
- Identify approaches required by CoK to expand the economy and enhance revenue capacity.
- Formulate an overall strategy for balanced socio-economic development of the City.

## SCOPE AND METHODOLOGY

**Scope:** The City of Kigali is divided into Districts, Sectors and Cells. For the purpose of achieving the above-mentioned objectives, all the districts and sectors falling under the jurisdiction of the City of Kigali have been covered by the study.

**Database:** The study is based on two major sources of information. One source was the primary information collected through surveys, focussed interviews with the representatives of people at district level, officials at CoK, representatives of the industrial and commercial sector, tax-payers and end-users. Because of time constraints and limited availability of executive officers and councilors, it was not always possible to interview exactly the same office holders and council representatives in all eight districts. In most cases, however, the researchers contacted the mayor or council chairman; executive secretary of the Finance and General Purpose Committee. Others were Directors of the departments of Finance and Economic Planning, Urban Physical Planning, the statistical section of the Ministry of Finance and Economic Planning, officials of the Ministry of Local Government, Public health and public works.

A total of 44 extensive interviews with a total of 85 office holders were conducted; some interviews (at Nyarugenge and Kacyiru, CoK head office) were group interviews. The information collected through the interviews was supplemented by official statistics and existing reports of the government of Rwanda.

The Primary data was collected from the districts and sectors through surveys and interviews. Visits to households, industrial sites, tourist places, construction sites, government offices etc., were undertaken and meetings were arranged to contact the people in the sectors to discuss and explore different economic opportunities and constraints.



The study made extensive use of expertise from South Africa by inviting experts from Cape Technikon in the areas of Tourism, Hospitality, childhood care and expert in economic affairs from Kampala.

Secondary data was collected from the documents, booklets, brochures and reports from different Ministries, Electro-gaz Company, CoK, BNR, Financial institutions and other NGOs administration offices. Beside the above information, data was also obtained from the neighboring countries (Uganda, Tanzania, Kenya, Botswana and South Africa) for assessing the competitiveness of the policies in Kigali.

**Tools:** Semi-structured questionnaires with a checklist of guiding questions were used to supplement the interviews wherever required. Also interviews and meetings were also organized and questionnaires administered to the officials belonging to various sectors, communes and prefectures such as agricultural sectors, transport, energy, CoK staff, education, health, etc.

**Sample Size:** The study is based on both primary and secondary information. The primary information was collected from a representative sample of households, industry groups, tourists, employees, taxpayers and commercial establishments. The details regarding number and selection of sample are discussed at the beginning of each of the four parts of the study.

## LIMITATIONS

The Study is subject to many limitations including:

- As the process of decentralization started only on June 1, 2001, district- wise data is not yet available.
- There is a general lack of maintenance of proper records. As such, most of the information obtained is from irregular records, and sometime based on verbal information shared by the heads of the departments. But effort has been made to corroborate most of the data through other sources to ensure its correctness.
- There was a problem of overlapping of the functions performed in many of the ministerial offices and that created confusion in availability and reliability of information. However, special arrangement were to be made to contact relevant officers after the expiring of the data collection period, which had financial implication and also delayed data processing.
- In large number of departments of the CoK, the officials did not have role clarity and as such they were not in a position to give adequate information.
- The rules relating to publication of accounts are not yet in place. Due to this the majority of the organisations do not have published accounts which could be used as the basis of analysis. As such, the information obtained from some organisations was raw and irregular.

- In the absence of any official communication from the CoK, some residents and businesses were hesitant to give information.
- During most visits to the offices, the senior officers were found busy in some other activities and seminars, etc. In such cases, the researchers often had to contact junior officers.

## STUDY PROFILE

The study was undertaken in four different parts; namely:

- Performance evaluation of existing economy and assessment of economic growth opportunities. The part included surveys relating to:
  - Tourism and hospitality
  - Industries
  - Agriculture
  - Commercial services
  - Construction
  - Information Technology Services
  - Government and institutional activities
- Evaluation of Informal work sector:
  - Women's capacity to participate in the local economy
  - Small business issues and poverty reduction
- Assessment of government influenced factors affecting economic growth.
- This part relates to an intensive survey on:
  - Land
  - Infrastructure
  - Energy and Water supply
  - Labor
  - Capital
  - Business Environment
- An analysis of current City of Kigali Revenue capacity including an assessment of opportunities and constraints for increasing revenue.



The main objective, findings and recommendations of each part are summarized here below:

## **PART A: PERFORMANCE EVALUATION OF THE EXISTING ECONOMY AND AN ASSESSMENT OF ECONOMIC GROWTH OPPORTUNITIES**

This part is concerned with the evaluation of the base conditions, performance, competitive position and growth potential of each key formal economic sector namely; tourism and hospitality, industry, agriculture, construction, information technology services, government and institutional services.

The study addressed specific objectives for each sector.

### **TOURISM AND HOSPITALITY**

#### **Objectives**

- To develop a base profile of visitors to Kigali, by finding out whom comes to Kigali, why they come what interests them, and their attitude towards Kigali.
- To evaluate tourism attractions and to improve tourism support services.
- To assess employment opportunities.
- To determine the potential to increase tourism.

#### **Findings**

- The most common visitors are those whose ages are between 31 and 40 years. They are 37.4 percent of the total number of visitors to Kigali.
- The majority of visitors who come to CoK know nothing about the attractions in this city.
- The origin of the greater number of visitors is African countries and they make 70.3 percent of all visitors to the CoK.
- Most of the visitors are males about 75.5 percent.
- The CoK (59.4 percent) is the major destination for visitors to Rwanda compared to other parts of Rwanda or those in transit.
- The main purpose of the visit is business (58.1 percent). This implies that out of the total travelers to Kigali City, only about 41 percent are the actual tourists.

- The major source of information about Rwanda is personal contacts which is used by 72.3 percent of the visitors.
- The trend of visitors since 1994 has been on a steady increase especially with more visits making repeated visits.
- The most used means of entry to Rwanda is by road, which accounts for 51.6 percent.
- A greater number of visitors who come by road use the Rusumo border post compared to other entry points.
- The trend of visitors coming by air through Kanombe International Airport has been steadily on the increase on monthly and yearly basis.
- The type of transport that is commonly used by visitors while they are in Kigali is public minibus, which accounts for 55.5 percent of the visitors.
- Most visitors (25.2 percent) complained that transport in CoK was expensive and the majority 67.1 percent spent up to 30 USD per week on transport alone.
- Most visitors (61.2 percent) prefer staying in hotels to any other type of accommodation.
- As far as location of accommodation in CoK is concerned, Nyamirambo has the greatest number of accommodation facilities (29.7 percent).
- What influences most visitors' choices of accommodation is the proximity (43.3 percent) to sites to be visited and nearness to business centers.
- The general rating of the quality of accommodation in CoK was "Good".
- Most visitors (23.8 percent) cited poor, or lack of basic facilities such as telephones, televisions, Internet, air conditioning and others.
- The expenditure on meals on daily basis is mainly between 11 to 20 USD for about 38.7 percent of the visitors.
- Visitors' expenses on souvenirs are mostly between 31 to 50 USD from 43.4 percent of the visitors who come to the CoK.
- The highest percentages of visitors (30 percent) who come to the CoK enjoy travelling as their interest/hobby.
- Among the attractions visited all of them were mainly rated good and very good.





- Most visitors spend on special events/gatherings and this was less than 40 USD.
- The accommodation service is the area where the majority workers are employed. Of these employees 68 percent are unskilled or semi-skilled.
- Most prevalent qualification among the workers is ordinary level (senior 4) which accounts of 26 percent. The percentage decreases as you go higher until they become zero for Masters and Ph.D.

### **Recommendations**

- The City of Kigali in conjunction with the relevant tourism departments should improve on travel and tourism information. This information can be disseminated through methods such as brochures, tourist information bureau's, and use of media.
- Improve on accommodation and facilities in the City. A section of tourists complained on the poor state of facilities such as telephones, Internet and air-conditioning. Though these services are outside the direct control of the government of the CoK, they require due attention as part of the broader provision of infrastructure facilities in the City.
- Development of natural and other attractions. Most people travel to Kigali for business or as a hobby. The CoK should strive to make their stay more enjoyable by developing the available attractions. Natural attractions include the beautiful scenery and hills while other attractions include crafts markets and historical sites (the house of the first German governor and others).
- The CoK should promote domestic tourism. This can be done by creating public awareness of the existence of attractions within the City. These can be supplemented by the creation of a Museum in the City.
- Education and training. Most of the employees were untrained. There is need for training service providers in tourism and tourism-related areas such as hotels.
- Improve public transport systems, road conditions, safety of passengers and ensure road worthiness of vehicles on roads.
- Improve the safety and security of visitors.
- Promote the making and marketing of art objects and other cultural valuables.

## INDUSTRY

### Objectives

The present study is focussed on assessing and evaluating the following:

- Industry, in terms of employee profile, number, status and remuneration, etc.
- Requirements for public infrastructure like, roads, electricity, power, water, gas and transportation support.
- The markets served by industry, so as to assess the potential for export and/or import substitution.
- The overall potential of industry in the CoK and the impact of the growth in this sector on the overall development and sustainable economic growth of Rwanda.

### Findings

- It is found that only two out of 23 Industries are jointly owned by foreigners and local nationals.
- It is found that all the Industries have their main offices located in CoK.
- A high percentage (47.8 percent) industries with CoK are more than 20 years old.
- It was found that only about 20 percent of the Industry have been established during the past 10 years.
- Past time employees constitute 90 percent of the total employee and industries in the CoK.
- In the industries with CoK 63.6 percent are skilled laborers and rest are unskilled.
- It is found that about 88 percent of employee's are getting salary less than 100.00 Frw per month.
- In terms of change in employment about 57 percent industries reported change, however more than half of this change is reported as a decrease in employment during the past 5 years.
- It was found that about 68.4 percent of the total raw materials consumed by industries is imported, where as export from these industries is only 11.9 percent.
- About 82.6 percent of industry are producing consumed goods.



- It was found that 39.5 percent and 34.9 percent industries prefer using trailer travel and small truck/van respectively as means of transport.
- Almost all the industrial unit is satisfied with their present location.
- It was found that public transaction access safali nearness to market and safali have been ranked in order of preference as factors influencing choice of site locations from industry.
- Only 10 out of 23 industries have complaints associated with environmental problems.
- More than 70 percent of Industrial units are presently paying taxes where as more than 85 percent of the industrial units are not satisfied with the kind of services provided by CoK especially the provision of electricity, water, and legal requirements like authorization to start construction.
- It was found that 41.7 percent of the industry consider various factor such as land infrastructure, energy, labor, capital and business environment as problem to their business whereas 31.8 percent consider them as advantages to their business and 26.5 percent are neutral about these factors.

### **Recommendations**

- Encourage foreign investment through privatization or sale cash strapped industries.
- Improve working and terms of service in industries.
- Promote import substitution through selective support to these industries Establish a bureau of standards to look into the quality and standard of goods produced in Rwanda and those imported.
- Maintain good access roads and drainage in the industrial area.
- Make available general public services e.g., electricity, water, etc., and remove delays in legal procedures before one can start a factory.
- Promote awareness of safer environmental conditions and as assist industries in solving most pressing issues.

## COMMERCIAL SERVICES

### Objectives the study

The present study is focussed on assessing and evaluating:

- Commercial Services, in terms of its age, employees' profile, number, status and remuneration, growth in employment, etc.
- Requirements for public infrastructure like, roads, electricity, power, water, gas and transportation support.
- Factors affecting the growth of commercial services and constraints faced by these enterprises.
- The overall potential of commercial services in the CoK and the impact of the growth in this sector on the overall development and sustainable economic growth of Rwanda.

### Findings

- 78.6 percent of the commercial services are owned by nationals and rest 21.4 percent are owned by foreigners.
- Majority of the commercial services (i.e., 73 percent) are less than 5 years old.
- Only 15.9 percent of commercial units have other branches.
- It has been found that 38 percent of commercial services were in the same business before coming to their present place of business in the CoK.
- It was found that 71 percent of commercial services have taken facilities on rental basis and rest 29 percent are run from self-owned buildings and establishments.
- It was followed that 82.6 percent of the commercial services are managed by their owners and only 16.4 percent are managed by hired professions.
- Full time employment were found to be 88.4 percent and only 11.6 percent of employees are working as part-time basis in the commercial services.
- It was found out that 32.3 percent reported increases in employment at an average rate of 10-15 percent per annum whereas 24.9 percent reported decrease in employment.
- About 65 percent of the commercial services consider CoK as good place of doing business where as only 6.5 percent rate CoK as poor for doing business.



- In terms of location, it was found that 26.6 percent consider public transits Access, safety and parking, respectively as most important factors to their business locations.
- In terms of effectiveness for future growth of business, it was found that 25.5 percent, 20.7 percent and 17.1 percent are in favor of improvement in the appearance of the district/area, most parking places and direct marketing respectively. In respect of plans for business size, it was found that 86.6 percent would like to expand their business activities in the CoK.

### **Recommendations**

- The prevalence of infant industries calls for support from the government and CoK while encouraging the private sector to invest in this area.
- Provide security to commercial centers especially at night.
- Make general services available to businesses (e.g., electricity, water, etc.)
- Remove the delay in legal procedures before one can start a factory or any business venture.
- Remove the hawkers who are already taking away the business of many shopkeepers to create a good working environment for business owners.
- Encourage the employment of workers who have knowledge of business.
- Improve safety and parking facilities for better access to business premises.

## **CONSTRUCTION INDUSTRY**

### **Objectives**

The study of construction industry in Kigali City was done with the following aims:

- To assess the condition and potential of construction activities in the City of Kigali.
- To find out the numbers of construction firms and their capacity in developing Kigali City.
- To find out the number of people employed by construction firms and their qualifications in this field.
- To find out the sources of raw materials used for construction in Kigali City.
- To determine the areas served by construction firms in Kigali.
- To assess the business environment and market for construction firms in Kigali City.
- To assess the problems faced by construction firms and ways of solving them.

## Findings

- The average age of construction firms in Kigali City is 5 years with little specialization.
- The market segment served is only 25 percent. This shows that there is a big potentiality of economic growth in the construction industry.
- A big number of people are employed in the construction industry but the majority is the laborers and technician with low skills in construction. There is a need for more engineers and other skilled professionals in construction industry.
- Labor cost in Kigali City is cheap when compared to total costs in construction because it is less than 50 percent of total costs.
- 87 percent of materials used in construction are acquired locally.
- The average wages in construction industry are lower than the average wages in other industries because the majority is unskilled laborers.
- Transportation of raw materials is mainly by small trucks and vans (68 percent).
- There is lack of foreign firms' investments in Kigali.

## Recommendations

- The construction sector has only young firms therefore the CoK together with the government of Rwanda should promote investment in their sector.
- Encourage investors so that the market served is increased particularly in specialized market segments.
- Embark on training of skilled professionals to handle more advanced construction requirements.
- Improve the sources of locally available raw materials to serve the construction industry.

## INFORMATION TECHNOLOGY (IT)

### Objectives

The objectives of conducting a survey of Information Technology services in Kigali were:

- To assess the availability of technical workforce qualifications in various professions.
- To assess the levels of IT services available in private and government institutions in Kigali City.
- To find out the size of the market segment served by 18 firms in Kigali City.
- To assess the level of application of IT business and government operations.

### Findings

- The average age IT firms is 2 years in Kigali City. This shows that the IT industry is still young but growing fast.



- All the IT firms are based in only two districts of Kacyiru and Nyarugenge.
- The number of computers in educational Institution is still very low indicated by the computer statement ratio of 1:20 in the higher learning institutions of KIST, KIE. The demand for more computers and other IT facilities is higher than the capacity to meet this demand.
- Only 42 percent of total employees in IT firms are professionals. There is a need for more qualified employees to spread the IT services in all districts of Kigali City.
- IT services are mainly for Internet and educational services hence business takes the lowest percentage among others (18 percent).
- The wages in IT firms are higher compared to other areas because it requires technical skills.

### **Recommendations**

- Encourage investor to invest in this growing modern industry.
- Introduce IT facilities in all districts of Kigali City.
- Embark on serious training for IT professionals to match the market demand.
- Encourage the business sector use this modern technology to boost their productivity.
- Increase the student ratio in educational institutions to cope with the training demand.

## **AGRICULTURE**

### **Objectives**

- The expanded City of Kigali boundary incorporates substantial agricultural land and accounts for a significant portion of the local economy. The main objective of the study is to profile the sector's contribution to the local economy and identify strategies to effect a more market-based agriculture enterprise.
- Other related objectives include the evaluation of the base conditions of the sector (its nature-crops distribution, land holding and practices, the people involved, and constraints) and its growth potential.

### **Findings**

- The distribution of crops grown in CoK are mainly traditional food crops with sweet potatoes and beans being most dominant, at 60 percent and 64 percent of the respondents, respectively. Other crops grown include Irish potatoes (12 percent), Soya beans (21 percent), maize (38 percent) and cassava (16 percent).

- The larger proportion (63 percent) of crops is consumed and the little remaining (37 percent) is sold in the local produced market. This is a slightly favorable status, given the fact that nationally only about 20 percent of the farmers' produce are offered to the market.
- The average land acreage per farmer-households is 0.731 hectares out of which an average of 0.680 hectares is cultivated. The average land holding for dairy farmers is 23.75 hectares.
- The proportion of farmers with livestock is 34 percent while those without is 66 percent.
- The distribution of livestock is dominated by small run crates, (goats, 39 percent and poultry, 24 percent) followed by local cattle (14 percent) and exotic cattle (13 percent). There is a significant level of dairy farming in the outlying districts of the City.
- 61 percent of the farmers were female and 39 percent males.
- Most farmers (64 percent) had not received any formal education. Those with primary schools were 19 percent and secondary schools were 18 percent.
- Only 31.5 percent of the farmers had other forms of employment while majority (68.5 percent) did not, and were dependent solely on agriculture.
- Among those with outside employment, 72 percent was in self-employment, 15 percent in private sector and 13 percent in government employment.
- Fifty one percent of the respondents practice modern farming. However, this was in the form of crop rotation (64 percent), terracing (31 percent), improved seeds (44 percent) and irrigation (68 percent). There are observably low levels of agricultural improvement, continued use of hoes on small pieces of land, low fertilizer use on depleted soils.
- On land ownership, 30 percent had land titles and 24 percent with city approval documents, leaving about 46 percent of respondents with out any formal ownership. These had either no proof of ownership (10 percent) or were using other peoples' land (36 percent).
- The constraints to agricultural development in the City were close to those faced nationally. The farmers named access to inputs (62 percent), inadequate farmland (53 percent) and land tenure system as the major constraints to agricultural expansion. Others were the limited knowledge of farming methods (23 percent) and low producer prices/marketing (23 percent).
- Intervention policies as ranked by farmers include land issues (79 percent), credit issues (69 percent), access to low-price inputs (61 percent), training/skills (48 percent) and prices/marketing (26 percent).
- Agriculture as an economic sector in Kigali City contributes to food supply and employment. The sector employs 5 percent of the households with a bigger proportion (73 percent) being





women. It also provides the food needs of these households while the surplus is sold to the food market in the city.

- The City is suitable for the activities of agriculture because of ample rainfall, under-utilized land especially in swamps and lowlands and the immediate market for food. The potential for export oriented agriculture derives from the City's location at crossroads to neighboring Cities and the location of Kanombe airport.

### **Recommendations**

- Determine the legality of agricultural activities in the City. Presently, there are limited restrictions on agricultural activities and our recommendations assume no medium term legal impediments until the demand for industrial land grows sufficiently.
- Resolve land issues (by availing more farmland and secure tenure), credit issues (availability and cost) low cost inputs and training/extension services.
- Apply strategies to move farming from subsistence to a market-based enterprise. The strategies, which are also being pursued at national level, include:
  - Promotion of land tenure security, improvement of land use and encouragement of land markets.
  - Development of private sector-led markets for inputs and products.
  - Improvement in soil conservation and management.
  - Improvement in farming methods through research.
- Acknowledge the CoK as a location for agriculture in respect of MINAGRI efforts. The ministry, in liaison with CoK, should designate personnel to oversee agricultural activities in the City.
- Lay stronger emphasis on land issues, put in place methods that increase land productivity and also appreciate agricultural activities as one of the survival strategies of poor people within its boundaries.

## **GOVERNMENT AND INSTITUTIONAL ACTIVITIES**

### **Objectives**

- To assess the existing employment conditions (wages, skills, etc.) and general growth potential of these sectors.

## Major Findings

- Out of the total population of Kigali City (604,966 persons), the active population (aged 10 years and above), 50 percent are employed in the various sectors of the economy. Of these, 13 percent are employed in the government sector (Enquete socio- economic, 2000).
- In the CoK, formal employees during the Year 2000, were 4,556, of which the government and its institutions employed 36.4 percent. The private sector employed 62.3 percent of formal employees.(Caisse Sociale du Rwanda)
- Of the formal employees in the CoK, 63.4 percent were in social services, 12.8 percent in commercial services, 8.4 percent in manufacturing industries and 7.6 percent in public works and construction.
- The trend of total formal employment, during the last five years, in the CoK has been increasing except between 1999 and 2000, when it declined. The level of total formal grew by 119 percent during the period 1996 to 2000.
- The level of remuneration is used as measure of the welfare of employees. It indicates the standards of living and has implications for the market for goods and services. The study found that 63 percent of the employees earn a monthly salary of less than 100,000 FRw, 25 percent earn between 100,000 and 300,000 FRw, while only 12 percent earn more than 300,000 FRw. The expenditure in the CoK is such that 79.8 percent of the households spend under 100,000 FRw in a month.
- The interpretation of the above is that the average salary in the CoK, while favorable compared to the GNP per capita of US\$ 260 (about 120,000 FRw), remains low and, given the size of the formal sector, is insufficient to form a driving market for goods and services.

## Recommendations

- The CoK, being the capital, is the natural home for most government ministries and departments. It also attracts a major share of private investment and income-generating activities. To maintain this status, the CoK should provide quality services such as infrastructure development and maintenance (roads, water, electricity, and telephones) as well as appropriate policies to enable the development of office and residential buildings. The availability of serviced land for industrial and other investments should also be given due attention.
- The CoK needs to monitor the changes in both government and private sector employment and conditions as they all impact on its economy in terms of tax base and as a market for products from other economic sectors. The CoK will need to understand the causes of any such changes and, where necessary, intervene either directly or indirectly through contacts with the relevant institutions.



## **PART B: EVALUATION OF THE INFORMAL SECTORS**

This section covered:

- The study on enhancing women's capacity to participate in local economy.
- Enhancing the capacity of small and macro-business contribution to the national economy.
- Poverty reduction and Street Children.

### **The study on enhancing women's capacity to participate in the local economy (Informal sector) in Kigali City**

The Government recognizes the contribution that women make towards the development of the national economy. In line with this, the study sought to enhance their participation by addressing the following issues:

- Eliminating discriminatory legal provisions and institutional practice.
- To improve water supply, health care, and home energy supply to reduce constraint on women's participation in the labor market.
- To raise access to formal and informal education including training to build entrepreneurial capacity, and adult education and training programs for women in rural area i.e., entrepreneurial capacity, other skills.
- Strengthen women's organization at national and grassroots levels to take a lead role in educating women and defending their rights.
- Ensuring the participation of women in decision-making structure at all levels.
- Changing perception of women's role in society through education and training.

Based on the findings of the study, the following should be set in motion in order to enhance the women capacity to participate in the economic development of CoK:

- In order to remove obstacles to women's access to and control over productive assets, wealth and economic opportunities, government should continue to support institutionalization of a special credit guarantee fund to promote women's economic activities through the country.
- Affirmative action policies and programs should be introduced in order to enable men and women to have equal access to economic and employment opportunities. In particular special attention should be paid to affirmative action programs for disabled women, and female headed household.

- Budgetary allocation in different sectors should be analyzed to ensure that all poverty alleviation programs are gender sensitive with gender responsive budgetary allocation in all development sectors.
- Government should encourage and support the collection and use of gender desegregated data to design effective policies with aimed at reducing gender inequalities and eradicating poverty.
- Special attention should be paid to creating an enabling environment and developing programs that encourage women to participate in the conservation of the environment, management of water resources and development of appropriate housing.
- Regular surveys should be undertaken to take stock of the housing situation to determine the nature and extent of such constraints with a view to eliminating them, and use the survey information as a reliable gender-based data on ownership of shelter and capacity for acquisition in order to ensure women access to housing.

#### **Eliminating discriminatory legal provisions and institutional practice**

- All areas of personal law, law of succession and any other law that discriminate against women should be reviewed in order to ensure that the laws of the country provide adequate protection against all forms of violence and the abuse of Human rights.
- Gender sensitive research should be promoted into the laws of Rwanda as a basis for establishing legal literacy and equal human rights advocacy campaigns.
- Women should be encouraged through education, counseling and practical examples to liberate themselves from their psychological fears and come out strongly onto the political platform, as the needed catalyst for radical change from a tradition-bound world order to a new world of greater freedom, greater equality and broad opportunities.
- Education strategies which focus on the cultural component of the legal system should be promoted in order to reform the legal system with a view to empowering women. There is also need to re-educate people away from cultural belief which are gender-discriminative.

#### **To improve water supply, health care and home energy supply to reduce constraint on women's participation in the labor market**

- Government should take measures to introduced water facility and home energy supply and health care facilities to reduce constraint on women participation on labor and to integrated this into the overall socio-economic development framework, especially in the education, agriculture, commerce, industry, environment, water and micro and small scale enterprise development.



- Government will strengthen primary health care (PHC) in general and maternal, child health and family planning (MCH&FP) services in particular to ensure the active participation of men and women in health care planning and provision.
- Measures will be introduced to ensure that gender-related health and population concerns are integrated into the overall socio-economic development framework, especially in the education, agriculture, commerce, industry, environment, water and micro and small scale enterprise development.
- To raise excess to formal and informal education including training to build entrepreneurial capacity, and adult education and training programs for women in rural area i.e., entrepreneurial capacity, other skills.
- Introduce gender sensitive measures to enhance the enrolment and retention of women in the teaching profession at all levels, including management position in the education system
- To introduce affirmative action measures aimed at enhancing opportunities for boys and girls at all levels of education and in all institutions of higher learning and training in order to reduce the gender gaps in education.
- Enforce special measures to promote the reduction of dropout rates of girls and boys at all levels including for example, the elimination of all forms of harmful ritual/cultural practices that hinder girls' and boys full participation in education.
- Establish and promote literacy programmers both formal and informal and informal that are gender responsive and easily available, for the disadvantaged groups in poor rural and urban areas, with specific emphasis on women especially.
- To establish specialized Entrepreneurial Development programmed especially for Women in Small business Development, Book-Keeping, Managing finance and other short term training programs based on entrepreneurship in order to build entrepreneurial capacity and other skills so that women can start their own business.

#### **Ensuring the participation of women in decision making structure at all levels**

- Establish and support capacity building and gender sensitization programs to encourage women to take an active part in decision-making at all levels.
- Develop and utilized a monitoring framework with specific indicators to measure the level of participation and advancement of in the political and decision-making process in all sectors and at all levels.

**Changing perception of women's role in society through ICT training and media**

- Government will support the initiatives of different organization in setting up women's information networks.
- Gender sensitive institutional mechanism for monitoring the media to ensure that it plays a positive role in its portrayal of women will be instituted.
- Government will support the development and implementation of an advocacy & gender sensitization programmed for the media.
- Community level telecasters will be established in order to enhance accessibility to ICTs grass root levels.

**To strengthen women organization to represent women interest**

- We must strengthen women organization such as pro-Femme and their member organization so that the women interest can be represented very well.
- To encourage the integration of women into the economic development, through the setting up of a loan fund, in order to back up women's income generating activities and to provide for a technical support in the working-out and management of projects.
- To facilitate access to the bank loan by women with low income and who do not have a bank guarantee.
- To stimulates women's entrepreneurship in Rwanda.
- To strengthen women's awareness of their economic rights, mutual solidarity and trust.
- To improve women economic empowerment policies by lobbying and advocacy.
- To further strengthen women bank like DUTERIMBERE in order to promote entrepreneurship.

**Women and agriculture**

- Mechanism to enforced the existing gender sensitive agriculture sector reforms like land redistribution will be put in place.
- Special attention will be paid to the subsistence sector to ensure increased access to agricultural extension services, availability of credit by disadvantaged farmers, particularly women, gender sensitive marketing services, and appropriate and affordable gender sensitive technologies.



- Government reinforces gender sensitive training in agricultural institutions.

### **The girl and the boy child**

- Government will adopt affirmative action measures to increase the enrolment and retention of girls and improve their performance in the education.
- Non-formal education programmers will be design to meet the needs of children out the school system including child heads of household.
- Effective mechanisms and procedures will be designed and put in place to ensure that boys and girls have access to health education, especially to sex and reproductive health education, as well as counseling services.
- Advocacy programmers, aimed at integrating children, parents and communities in gender sensitization for change of negative attitudes to the girl child and to women in general, will be initiated through the country.

### **Enhancing women's capacity to participate in development**

- Various affirmative actions that have been undertaken in key sectors with the aim of reducing women and girls historical and social disadvantages. These include setting up of women's communal funds and credit guarantee facilities to improve women's access to financial and other resources.
- Local structures have been reviewed to enhance women's visibility from the grassroots unto the national level. Through women's councils for example, women specific development needs and concerns are articulated, communicated and mainstreamed in different sectors at different levels.

### **Enhancing the capacity of small and micro business's contribution to the national economy**

The study assessed the role of small-scale business in the economy and how they can increase their capacity in contributing to the national economy. The study covered the follow:

- Characteristics and organization of small- scale business in Kigali City
- The market situation
- Licensing and tax requirement
- Mini- financing

The following are the findings of the study:

**Age of Enterprises**—Age of the enterprises refers to the number of years through which the enterprise has been in operation. The study shows that more than 65 percent of the enterprises were aged

from 1 to 5 years, 30 percent of the enterprises were aged between 6 and 10 years, and the rest 5 percent were aged from 11 to 15 years in all districts. This shows that most of the enterprises are very young.

**Age and gender of the owner of the Enterprises—**The study shows that the age group which is actively involved in small-scale entrepreneurship are 21 to 40 years which constitutes about 85 percent of all small-scale entrepreneurs in all districts. Fifteen of the small-scale entrepreneurs are either children under 20 years old or over 50 years old. All age groups participate in this sector.

**Gender of the owner of the Enterprises—**The study reveals that both males and females participate in the small-scale enterprise sector in all districts. This is because economic hardship affects everybody regardless of gender. However, the most affected are female-headed households.

**Organization of the Business—**The study shows that most of the small - scale businesses in all districts are organized on either an individual basis or as a family business. Table B23 reveals that between 50 percent and 77 percent small businesses are operated individually, while between 10 percent and 33 percent are operated on a family basis. Between 5 and 17 percent small businesses are organized through associations/co-operatives. Only Nyarugenge district has a high percentage of associations (35 percent). This shows that people need to be sensitized to form associations at district level.

**Registration of Small Scale Enterprises (Are they registered?)—**The study shows that not all small - scale businesses are registered in all districts. It reveals that in Gisozi district up to 94 percent of the small business were not registered, while at Nyarugenge 50 percent of the small business were not registered. In rest of the districts of Kigali, the percentage of small business, which is not, registered ranges between 45 percent and 90 percent.

**Reasons for not registering businesses—**The study indicates that the main reasons why the small businesses are not registered are ignorance of the requirements and lack of money. The study shows that in Butamwa district, 75 percent of small businesses are not registered because of ignorance, while in Kicukiro district the figure is 70 percent. The rest of the districts lie between 40 percent and 65 percent. Lack of money for registration ranges between 15 percent and 41 percent, another reason revealed by small businesses for failure to register is the long licensing procedure.

**Number of people employed and income generation—**The number of people employed by small - scale enterprises determines the size of the enterprises. The study reveals that most of the small businesses employed between 1 and 5 people. It shows that the percentage of businesses in different districts employing 1-5 people ranges from 52 to 87 percent. This is consistent with the hypothesis that small businesses create many employment opportunities in the economy.

**Income generated per month by small business at district level—**The study reveals that small scale - businesses generate sufficient income to finance economic activities at household level, while indirectly contributing to the total GDP. The study shows that in Nyarugenge 95 percent of small businesses can earn up to 100,000 FRw per month while in Gikondo 60 percent of small businesses can earn up to 100,000 FRw per month. This implies that small businesses assist in poverty reduction at the households' level, e.g., they contribute to paying school fees, renting houses, buying clothing, etc., at household level while contributing to the total GDP of the nation.





**Entrance to business in an Informal Sector in different districts in Kigali**—Various reasons were mentioned as barriers to entering business. The study revealed that the most common barrier to entrance into business was lack of capital. In almost all districts, they mentioned that another constraint to starting business was lack of places /areas to operate, Since district authorities have not set aside areas specifically for operation of businesses and as a result whenever they set up a business they are harassed by city authorities.

**Location of informal Sector Enterprises in Kigali by district**—The study shows that up to 90 percent informal sector enterprises in Kigali City are located in unauthorized areas, scattered all over the city. It shows that most of small business are either located in residential areas or on open space. In Butamwa district, for example, 100 percent of informal sector businesses operate in residential areas. Only in Nyarugenge district does a large percentage of the informal sector enterprises 63 percent operate in commercial areas, because this district is in the centre of the city.

**Financing of the Informal sector enterprises in Kigali City**—The study analyzed the sources of financing informal sector enterprises. It was revealed that more than 80 percent of all informal sector enterprises did not have access to credit in all districts in Kigali City. The study also identified what were the sources of financing informal sector. Three main sources of finance were identified, namely Owners equity; - this was the main source, whereby study shows that, up to 84 percent of Informal sector enterprises in Gisozi district 83 percent, in Kacyiru district 80 percent, in Butamwa district were financed through individual / Owners equity. Other sources of finances included the contribution from family and few loans from either credit Societies /Associations or Banks.

**Source of loan for the informal sector in Kigali**—The study shows that in the case of those who did receive loans, most of the credit came from associations which they formed in the district Some credit, particularly for women came from banks particularly COPEBU which assists women to improve their living standards in. Other credit came from friends. At Butamwa district the businesspeople did not borrow because the district was only recently included in the Cok. This implies that there are very few credit facilities available to small businesspeople. The study shows that of those who managed to get credit a big percentage in all districts were able to pay back the loans.

**Marketing of products from the informal sector**—The study reveals that the informal sector enterprises do not have any outlets to sell their products Ninety-nine percent of products from informal sector enterprises in Butamwa district do not have any outlets, 95 percent in Kicukiro and Gisozi districts, 94 percent in Kacyiru district and 93 percent in Kanombe district.

**Informal sector enterprises' access to infrastructure**—The study examined whether the informal sector had access to the following infrastructure: clean water, electricity, road (tarmac), telephones and toilets.

Table B31 reveals that most of the infrastructure in all districts is reasonably accessible, because most of the businesses are operated from residential homes house. However, the big problem was availability of toilets, particularly in Nyarugenge district and Gisozi, where only 20 percent and 10 percent of the interviewed businesspeople have access to toilets. Butamwa district has no telephones.

**Level of Education of Informal sector Entrepreneurs**—The study revealed that most informal sector entrepreneurs are primary - school leavers. The study shows that up to 76 percent of informal sector entrepreneurs in Kanombe are primary - school leavers, 18 percent are secondary - school leavers, and 5 percent have no formal education. In Butamwa district, 67 percent are primary - school leavers and 31 percent have no formal education. In general, in all communities, those who are involved in informal sector enterprises are either primary school leavers who have not managed secure a job or people with no formal education at all. The study also inquired if the informal sector entrepreneurs had undergone any training in management or technical skills. It also reveals that most of the entrepreneurs in the districts had not undergone such training. However, in Nyarugenge, 63 percent of the respondents had undergone some technical training.

**Availability of machinery /equipment**—The study investigated the availability machines/equipment needed by small - scale businesses to process their products. The study shows that there were very few machines owned by informal sector enterprises and between 75 percent and 93 percent of small - scale businesses did not have equipment in all districts. The informal sector enterprises therefore use crude methods of producing their products, which affects the quality.

## Recommendations

**Institutional Arrangements**—The CoK should ensure that the right institutional arrangements are in place. Such institutional arrangements may include formulation of a policy framework and strategies to address the constraints, which have been identified as impeding the growth of informal sector enterprises in Kigali. This policy will put forward some new institutional approaches to encourage and give better support to informal sector entrepreneurship and also to impose the delivery of services to informal sector enterprises.

Formation of an Informal sector enterprise organization to oversee the implementation of the informal sector policy, e.g., forming a small business council.

**Regulatory environment**—Normally, regulations set out the rules of the market place in areas such as licensing and zoning, business practices, product quality, safety standards, public health and even environment protection. Nevertheless, the scope, complexity, and rigidity of regulatory processes can cause concerns. Regulations on business activities are often seen as interference that prevents enterprises from getting on with the job.

Informal sector enterprises, in particular, find that regulations are complicated, and that complying with them takes too much of their time, effort and money, and they do not serve a useful purpose particularly if they are complex and rigid. Hence regulations should be flexible, and simple.

**Education, Training and Informal Sector Entrepreneurship Development**—Education and training have a vital role to play in the development of entrepreneurial movement, motivation and skills. As the study revealed, most people involved in informal sector enterprises are primary - school leavers or people with no formal education at all, moreover, these informal sector entrepreneurs have not undergone any management/technical skills training. A plan should be made to train these entrepreneurs, particularly those who are organized in associations. As a long - term strategy, a close collaboration between the



informal sector and educational institutions should be adopted, e.g., giving of entrepreneurship courses in ETOs or organizing short-term courses on entrepreneurship to unemployed youth/women, etc., in Kigali city.

**Access to finance**—Access to finance is the most critical issue for informal sector enterprises. Many informal sector enterprises lack the necessary financial equity to start a business or to expand an existing one, many lack working capital to keep the business running, and they normally borrow from either family or friends (sources that are soon exhausted). Most financial institutions are averse to providing credit to informal sector enterprises for a variety of reasons, including lack of, collateral, insufficient equity contribution of owners, inadequate management records, lack of or poorly prepared, business plans, and the negative perception which financial institutions generally have of the informal sector enterprises. The CoK authority should identify or form a financial institution, which will provide small loans to informal sector enterprises without demanding collateral, particularly if the entrepreneurs are organized as associations or co-operative societies.

Since micro enterprises have no formal sources of finance, and they have been unable to secure adequate finance, CoK should improve their ability to generate funds, e.g., through efficient tax collection, and use part of the funds to finance the informal sector enterprises, as a means of improving the capacity of small businesses.

**Market opportunities and location of micro business**—Lack of market opportunities as well as limited awareness to market information has always been a major constraint to small businesses developed in Kigali City. The CoK should promote linkages between informal sector and the formal private sector so that their products can be feeding the formal private sector as raw materials.

CoK should try to locate a place in every community and put all necessary infrastructures (like water, telephones, toilets, and first aid centre) and charge a reasonable rent to small businesses to operate there, instead of harassing the informal sector enterprises, without locating them a place.

CoK should link small business entrepreneurs with government institutions (especially if the entrepreneurs are organized by associations or co-operative societies) so that they can tender, e.g., supplying of office equipment, maintenance of cars, welding works.

**Technological support**—The technological needs of informal sector enterprises are extremely diverse, reflecting the wide range of products and services that are provided by the enterprises. At one end of the spectrum, there are some high-tech small businesses which need the most modern technology to compete effectively in provision of services (e.g., Internet cafes). In contrast to these businesses, in Kigali there are some micro enterprises, which rely upon labor-intensive and low-skill operations and are unable to obtain, let alone to afford basic technology.

It is more realistic for the CoK to provide support for the labor-intensive and low-skill operations rather than for high technology small business. The CoK should attempt to encourage innovation and the acquisition, adaptation and dissemination of technology to micro business. The CoK can use its ETOs and particularly Kigali Institute of Science, Technology and Management (KIST) for that purpose.

Roles of Different Stakeholders in developing the informal Sector Enterprises in Kigali City.



**The Government Role/City of Kigali Authority**—According to the above mentioned strategy, the role of government/ CoK will be exercising in the field of creating favorable conditions for the development of the sector, and forming of the regulations a legal framework of existence of informal sector enterprises. The major government / CoK role will be:

- To identify and analyze the constraints to the development of the informal sector, and consistently adapt intervention mechanism to the problems that need resolution concerning the socio- economic issues of the informal sector operators.
- To establish conditions that allow the development of the informal sectors, e.g., provision of location where they can operate, with necessary infrastructure, reduction of taxes and other levies, provision of credit facilities, provision of information of where to obtain equipment and tools, etc.
- To favor informal sector development by arranging appropriate training, equipment, raw material supplies, market.
- To establish necessary infrastructure for the sustainability of the informal sector.
- To provide active assistance to the co-ordination of the promotion actions of informal sector development.
- To sustain, evaluate and keep statistics of different programs and projects for the informal sector.
- To provide structures for an organization of informal sector enterprises.
- To incorporate the existence of the operation of the informal sector in the future plan of government / CoK (city plan).

**The Role of Informal Sector Enterprises as economic operators in CoK**—Informal sector operators are among the actors in socio- economic development of Kigali City. They have a great role to play in finding the solutions for day-to-day socio- economic problems:

- They have a great responsibility to define their needs, rank them by priorities necessary for aid, and seek support for complete their effort.
- They have a major role to play in the planning of development activities for the informal sector in Kigali City.
- For the informal sector operators to become true partners, they have to organize themselves into co-operative bodies or associations so that they can have better representation at district level, regional and national level.



- Organizing themselves in co-operatives or associations can strengthen their capability of obtaining funding.
- To follow the legal framework or regulatory procedures established by PVK especially on licensing, and registration, location of operations, health and safety requirements, environmental conservation, etc.

**Roles of other Stakeholders in informal sector development in the CoK**—Other Stakeholders include NGOs, projects and donors who are operating in the communities of the CoK. These constitute the driving force for development of the informal sector. Considering the importance of their resources, they have a role to strengthen the capacity of the informal sector by advising and giving both technical and financial assistance. They may be called to bring their assistance to the informal sector, in the fields of training, commercialization, project studies, research, organization and capacity - building.

**Poverty reduction and Street Children**—Poverty is a worldwide undesirable phenomenon that all over the world societies in constant struggle to eliminated. The issues covered under this section include:

- Empowering the poor/protecting human and legal rights
- Increasing access of the poor to social services
- Food for work construction of needed infrastructure

### **Findings**

- Widespread poverty.
- Declining incomes due to lack of capital, lack of market, lack of knowledge and skills.
- Unemployment that is growing at a fast rate.
- Household poverty reduction strategies are constrained by the scarcity of labor, lack of skills, lack of credit facilities and lack of market.
- Existence of critical housing problem.
- Inadequate water supply.
- Widespread household food insecurity
- The schools are insufficient most especially secondary schools.
- There is significant different in levels of education among women and men heading households.



- Kigali City has inadequate and inaccessible health services in situation of high morbidity and ADS prevalence.
- Sanitation is generally poor in Kigali City.
- Sanitary infrastructure such as toilets and sewage channels are inadequate in the city.
- The problem of street children was recognized from 1987 however, as a result of events that occurred later such as war, the 1994 genocide, violence massacres etc., there was a rapid increase of street children in the city.
- Poverty has been defined as a major cause as well as other socio-economic factors.
- Previously it was uncommon to see young adults as street children, and now the trend is there is an increase of this productive age group seen with babies in the street.
- Illiteracy is high among the street children and this makes it difficult for them to realize their potential in contributing to the economic development of the City.
- Street children are vulnerable to all kinds of diseases including HIV and Aids, they are exposed to harassment, abuse as well as sexual abuse.

### **Recommendations**

- The health services coverage should be increased: new health units should be built in the currently least served areas.
- Health units should deliver integrated health services to improve equity and increase patient satisfaction.
- Intensify the fight against AIDS. Young people in the city and vulnerable groups are among the groups highly at risk.
- Expansion of water supply infrastructure and increasing the volume of water available for use.
- Improvement of the garbage collection: this can be done by fostering the development of private garbage collection companies.
- Compost manure making technology should be developed to utilize the garbage in the city productively and create employment.
- The problem of adequate personnel in health, education and other departments should be addressed: a manpower development plan should be elaborated outlining procedures for recruiting, training, performance evaluation, job security, promotions, and incentives.



- Effort should be made toward solving the housing problem, settlement areas should be identified, and land allocated for constructing houses.
- The access of the population to safe and clean water should be improved. Studies should be carried out to identify short and long term solutions.
- The number of schools and especially secondary schools should be increased to serve areas poorly or not covered at all.
- Adult education programs should be developed to increase literacy rates among the population.
- The situation of women heads of household should be carefully studied. Their families are more vulnerable than male headed ones. They should receive additional support (school fees, exemptions from paying for health services etc.).
- Other vulnerable groups should be identified and given support.
- Savings and credit programs accessible at the grassroots level should be developed and credit facilities made available to entrepreneurs. The procedures and regulations to access such facilities should be flexible.
- Training in various skills should be offered for organized groups/associations engaged in certain activities.
- Vocational or skills training for the urban youth should be emphasized.
- The provision of basic social services such as education and health should be improved.
- Developmental programs should be set up for vulnerable groups. Kigali City should facilitate a partnership role with the private sector.
- The problem of street children is complex and can cause insecurity. Kigali City should set up centers from where street children can learn various skills as well as make products for income generation.
- Any effort should be made towards solving the problem of unemployment as soon as possible.
- Training of people in specialized services such as psychiatry, social work, counseling, psychology to acquire competent skills in order to be able to work with this target group is vital.
- Facilitation of the programs to address the education needs of street children, reintegration with families, placement in foster care, etc.



- It is important to create society awareness about the problems of street children and promote cooperation among various role players.
- Services offered by the various centers for street children needs to be coordinated.
- Policy on the protection of children and responsible parenthood should be in place.
- Policy on population issues and programs such as family planning at all levels of the society need to be a national priority.
- A budget should be provided for the following services: education health, family reintegration and foster placement.

## **PART C: ASSESSMENT OF GOVERNMENT INFLUENCED FACTORS AFFECTING ECONOMIC GROWTH**

This part of the study covered Land, Infrastructure, Housing, Transportation, Energy and Water Supply, Labor and Business Environment:

### **LAND**

#### **Objective**

To assess how the City of Kigali properly and productively regulates, develops, and disposes of and value land as a strategy of encouraging economic development,

#### **Findings**

- Lack of well designed and documented procedures on land acquisition, management, and tax scheme; as well as poor record keeping which has led to multiple allocation of land plots with all its problems.
- General lack of information and data needed to support decision-making function for planning and revenue administration. (one of the greatest impediments to revenue collection).
- Collection of plot fees and house rents is made difficult because information on location, ownership, payment status, etc is hard to obtain.
- Difficulties in searching for files just to determine who owns what piece of land. Arrears on land rent have accumulated partly because the general public perceives the city of Kigali as lacking the will and ability to reconcile records and follow-up on old cases.
- Lack of land surveying equipment and the related documentation facilities.





- Insecure land tenure, a slippage that makes occupiers hesitant to invest and put land to effective use.
- Lack of basic services like roads, water and power has apparently impaired the motivation of the potential people in initiating housing construction in new areas.
- There is high congestion of applicants for plots due to the present central system of plot allocation.
- Lack of well-qualified personnel: there is only one qualified topographer in the urban physical planning directorate.

### **Recommendations**

- Introduce well-designed procedures on land acquisition, management, and explicit tax scheme, but also improved data collection and recording. It should be possible to carry out this task, either with computer or without.
- Provide secure land tenure so as to encourage people to invest in land, for higher economic returns and improved land status. The city of Kigali should be committed to ensuring that land is used productively and in a sustainable manner by establishing clear guidelines for land use through the land act.
- Implement legislation to remove the statutory discrimination against women's' rights to own land, and allow different options of the apportionment of property on marriage.
- Establish a strong collaboration/partnership with Electrogaz and Rwandatel (through the Ministry of Energy Water and Natural Resources and the Ministry of Transport and Communication) for the provision of essential services to registered/new allocated land.
- Establish a long-term plan through a database system in order to cater for the rapidly increasing number of land applicants. This will enable the CoK to offer efficient services to the customers.
- Expand land register formats to capture all necessary land data and other information, and further strive to acquire additional computers to bridge the deficiency.
- Inculcate the right attitude of information management systems for people to appreciate the importance of proper documentation.

- Prepare for decentralization by sorting and arranging land files with respect of locations. This can be done with the help of a digital library after the exercise of computerization. Critical information that we recommend to be put on the computer as part of the land database system is the following:
  - Location of plot, Sector, Cell
  - Type of plot: commercial, residential, social, industrial, etc.
  - Size of plot
  - Type of property on plot
  - Owner of property on plot: full name and address
  - Estimated value of property on plot
  - Current owner of the plot
  - Date when plot application was received
  - Date when plot contract was signed
  - Date when plot was marked with "born"
  - Contract particulars
  - Previous owners of plot
  - Date when plot changed hands
  - Payment status of plot fees
  - Any legal issues on the plot

This data will serve as a basis for computerization, which will assist in locating the desired information and files more efficiently and in a systematic manner. Fortunately this work has already started in some form but of now requires a fresh focus to come up with a user-friendly database that is wide enough and compatible with other data-analyzing techniques.

- Shift processing of application for plots to districts' headquarters whereby committees under the department of physical planning will consider each case within the shortest possible time, because they are familiar with all the locations. This will help solve congestion of applications for plots, which come from all areas of the city, and hence improve services to clients.
- Inventory CoK's buildings and reconcile records accordingly. This can be done by hiring qualified short-term personnel (e.g., KIST students) to carry out the exercise for the whole city.
- Demarcate all the city's land and prepare maps for city planning and of revenue administration. This would facilitate the generation of predictable revenue on which most operations rely. With the completion of the Kigali urban planning management and capacity-building project which has established a Master plan showing roads, waterways and land demarcation, there is a hope that implementation of the recommendations thereof shall obviate the difficulties in those respects. Part of the solution of this problem can be well-designed using a Geographical Information System (GIS).
- Resolve issues concerning overcrowding of vehicles, street blockages and broken pavements in the city. With proper management, car parking offers a remarkable potential for more revenue collection. Aside from revenue collection the 'pay as you park' approach would also



ease the traffic load in the city, as some of the motorists would go for public transport or drive into the city only when it is absolutely necessary. This could be an opportunity for both the CoK and the private sector to develop designated commercial parking spaces in the city. Given the complexity of this activity, and in line with the practice elsewhere in African cities, this would eventually have to be privatized. Hence a special study would have to be commissioned to determine traffic flows and the impact on the city transportation system. Based on conservative estimates, in relative comparison with earnings in neighboring countries from this source the CoK could earn a minimum of 15 million FRw annually from this source.

- Privatize activities such as advertising services, street parking, street cleaning and garbage collection. These activities would join those that have already been privatized revenue collection from taxi parks, maintenance of roads and collection of ground rent arrears.

## **INFRASTRUCTURE**

### **Objective**

- To identify and assess the costs of expansion and improvement of various infrastructure and identifying initiatives that will directly leverage economic growth.

### **Findings**

- Rwanda is a land locked country where most of the cargo transportation is handled by road. A railway line would be another means and generally cheaper in such cases.
- So far road construction has depended on asphalt as a universal binding agent for road surfacing, and hence expensive to countries with low economic capacity like Rwanda.
- It is in plan by the government to expand airport facilities in order to match the growing business activities in the country.
- Other flight facilities besides Kanombe airport are the Cyangugu and Gisenyi aerodromes.

### **Recommendations**

- Explore more technical options that are available like use of concrete, either in slabs or cast in situ. Best examples can be found at homes, petrol stations and some bus stands. As to why asphalt has been avoided in these respects is explained by the higher costs involved in their maintenance that become more expensive in the long term. Research findings by highway officials in America and South Africa who have been using concrete on their roads for many years show that the annual cost of commonly used low-priced asphalt surfaces works out at USD 21,000 more per km than a concrete pavement. Industry sources put the average life span of concrete road surface at between 25 to 40 years and that of asphalt between 10 to 15

years. Yet concrete roads may carry considerably heavier traffic compared with asphalt. In this light, the government of Kenya has given a go ahead to have as trials 20 km. of concrete road constructed annually.

- Seek and adapt innovative building techniques, which have gained positive experiences in other countries with focus on costs, durability and availability of the building materials.
- Continue with the existing plans for expansion. In the modern times of economic liberalization we expect more economic activities in the country in the sense of increased exportation and importation of goods, and also increased passenger traffic. And so, the existing plans to expand the airport landing capacity, as well as expansion of the related supportive facilities should gradually be carried on for real implementation.
- Improve and modernise the aerodromes at Cyangugu and Gisenyi in order to attract more business, reinforce and complement the capacity of Kanombe International Airport.
- Tighten security at Kanombe airport in live with international standards. In the wake of increased activities of insecurity through airports, it may not be enough to attain our economic aspirations in this area by only expanding the airport runway and its supportive services.
- Plan for a railway line for the Kigali – Isaka (Tanzania) route. This should be in the plan for the near future to facilitate cargo transportation as a whole.

## HOUSING

### Findings

- Social infrastructure for Kigali households suffered greatly from wars and genocide of 1994: from looting and neglect.
- As regarding public services like water supply, sewage disposal etc., their inadequate provision has led to over-use and subsequently into frequent break down.
- Owing to their low income, the majority of urban dwellers can neither afford good quality houses and nor the connections to electricity or water.
- It's a paradox that, the government spends large sums of money on few good quality houses, which ultimately go to the few rich, but not to the relatively low-income majority who constitute the main tax base.
- Housing in Kigali is the responsibility of the household, and to some extent, the immediate community, a situation, which is likely to continue for a long time.



- The government has not been able to provide adequately in the housing sector, in part owing to shortage of resources, but also owing to natural inefficiency in such undertakings where the private sector comes out better.

### **Recommendations**

- The city of Kigali in collaboration with the government should explore the existing potentials for low-cost housing in the respects of design, building materials and building techniques with the objective to provide decent housing to the majority that fall in the low income bracket.
- Owing to limited resources and shifting roles of the state, the government should create an enabling environment for the private sector to engage more effectively in provision of housing to the community, and retain the role of the facilitator.
- Hence, the government should facilitate and encourage the private sector in the following manner:
  - Proper housing planning in consultation with the people
  - Open up new housing areas with provision of basic services like roads, drains for storm water and wastewater, etc.
- Carry out study on construction process in Kigali to identify areas of weaknesses of the private sector and provide the necessary technical assistance.
- Appreciating and draw up appropriate strategies with positive perception that low-income settlements and urban growth are inevitable and must be planned for accordingly.
- Hence, the government should Facilitate and encourage the private sector in the following combination of tasks:
  - Proper planning for the City development in consultation with the people.
  - Opening up new housing areas with provision of basic services like roads, drains, water etc.
- Develop and implement urban renewal programmes to maximise self help-initiatives.
- Prevent at the outset any growth of unwanted structures, instead of their later destruction that in deed put resources to sheer waste.
- The government should arrange for accessible credit facility with mechanisms, which are simple but effective in loaning out and getting back repayments. The loans should be directed to supporting procurement of building materials, particularly for low-income households.

## TRANSPORTATION

### Findings

- Rwanda is a land locked country where most of the cargo transportation is handled by road. A railway line would be another means and generally cheaper in such cases.
- So far road construction has depended on asphalt as a universal binding agent for road surfacing, and hence expensive to countries with low economic capacity like Rwanda.
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### Recommendations

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- Plan for a railway line for the Kigali–Isaka (Tanzania) route. This should be in the plan for the near future to facilitate cargo transportation as a whole.

## ENERGY AND WATER SUPPLY

### Objective

To develop enabling environment for the city of Kigali for its participation to the energy policy formulation since costs and availability of energy affects all economic sectors at all levels.

### Findings

- The sole reliance on a single company for electric power supply has bred monopolistic tendencies of excessive tariff rates in the regional perspective; which in a way inhibits investment in the manufacturing sector.
- Hydro stations are the only source of Grid electricity, and so far there exist on study on feasibility of other options, for instance thermal generators.
- Alternative sources of energy like solar energy, bio-mass, wind energy etc., are almost unknown and so far untapped in the country.
- In most cases water heating is done on electricity in most towns, a service which could be done wisely on solar heating and relegate electric power to factories and industrial operations.
- There is apparent lack of economic incentives for new ventures in the sectors of industrial production and the overall service sector owing to unfavorable policies and inadequate advertising measures.
- Low economic capacity of the majority to finance electric power connection and subsequent payments for power consumption.
- Use of inefficient equipment that consume more power than the expected service: for instance, most of the electric bulbs convert most of the electricity into heat instead of illumination.
- Where available electricity is sometimes not switched off soon after use.
- In regard to security lighting in the city, most of the streets are dark at night as the service is not provided.
- In regard to water distribution, there are interruptions of the main water lines from source to heavy consumption points leading to unreliable operations of service.

- Electrogaz is deemed as the sole dealer in water supply and hence a disincentive for community initiatives in isolated locations.
- Exists in the city lack of drains for both storm and waste waters.

### Recommendations

- With the collaboration of the Ministry of Energy, Water and Natural Resources, devise a clear policy regarding the conducive environment for Independent Power Producers (IPPs) to invest in Kigali. Once this is implemented the IPPs will operate at competitive tariffs which may attract investors and at the same time offer reliable and quality services for the people of Kigali.
- Create an incentive framework to stimulate export and enhance confidence of the private sector, reform public enterprises and increase the efficiency of the utilities and of the financial sector, liberalize the labor market and implement well-targeted measures aimed at alleviating poverty. Restructuring ELECTROGAZ would improve the efficiency of the largest public utility of Rwanda and address pricing issues as a key sector of the economy. Owing to extreme weaknesses of ELECTROGAZ in the sense of developmental, technical and financial status; the new sector strategies, as well as institutional reforms should aim at improved performance in these respects.
- Promote activities that will increase people's access to electricity and promote effective and efficient use from the household level up to the level of commercial activities.
- There are literally thousands of different types of technological and operational measures that can improve energy efficiency. They cover residential and commercial buildings, industry, transportation and the electric utility sector, as well as the distribution of energy to end-users. It should be noted that, many of the efficiency improvements could be implemented much more economically that, new energy supplies could be developed.
- Foster conservation by voluntary or mandatory institutional changes.
- Adapt a "least-cost planning", a process for examining all electricity-producing and electricity – saving options and selecting the mix that minimizes total consumer costs. Since conservation investments often cost considerably less than what a utility would otherwise have to spend in order to generate electricity, least – cost planning can benefit energy producers as well as consumers.
- Experience has shown that, many other utilities even find that investing in conservation measures on behalf of their customers—for example, supplying them with high-efficiency bulbs at little or no cost –proves financially beneficial. In this way, the utility saves in the short run through reduced operating expenses, and in the long run by not having to build new multimillion dollar power plants to satisfy expanded demand.





- Whereas energy planning previously focused primarily on expanding conventional energy supplies, in the future in Rwanda should consider improving energy efficiency as an economic option towards same goal. The plan and initiative to connect the national Grid into that of the SADEC countries underlines the concept even more.
- Accelerate provision of streetlights in the city in the coming few years to serve the core role of security this must be a priority of the city to bring down the crime rate.
- Transform Electrogaz into a private operation under a contractual framework that would include the necessary incentives and expectations. Full autonomy in the new operation is required even though the electricity tariffs require government approval.
- Rehabilitate and continuously maintain the existing power generating stations in order to sustain the present supply and perhaps serve some of the rising demand.
- Promote and support private investments in general power expansion at the present stations, as well at new stations that include small and mini hydro; without disregard of thermal – power generation as another alternative. Thermal-fired power plants or fossil – fuel fired may operate on coal, gas or diesel–cases which are already found in the region and could be investigated.
- Initiate and promote energy –saving programs that include use of more efficient equipment; and country-wide, make people more aware of possible savings from intelligent usage. Use of solar energy for hot water on a wide scale could offset a considerable amount of electric energy that the country would require for industrial production and to thus an aspect of higher priority for any developing country.
- Support relevant groups, organizations and institutions in research work and the applications of alternative energy sources by more people. The off – the shelf options are: solar energy for lighting, water heating, fruit drying; use of bio-gas for cooking and lighting; and use of wind energy for electricity and for pumping water.
- Ensure that water supply lines from water storage sources into the city are of large diameter size, and without interruptions on the way so that water delivery is rapid enough and commensurate with the demand which exists from the house hold to the factory up to industrial level.
- Promote local participation, planning, and community management of water delivery services in terms of administration and fiscal decentralizations, including the expansion of water production outside the ELECTROGAZ perimeter.
- Plan, survey and build sewer systems for waste water, and appropriate drains for storm water, as one of the measures to improve the city's cleanliness and sanitation, as underlined in the master plan 2020. The department of public works in collaboration with the departments of

physical planning should prepare guidelines on wastewater re-use and discharge and these to be followed in order to forestall risks of environmental pollution, which may be hazardous.

- Before disposal, wastewater requires treatment, and this fact should apply to households and communities. Wastewater can be treated to levels safe enough for economic re-use, such as irrigation and maturing of crops. Stabilization ponds and lagoons have remained for so long common ways of handling wastewater for communities, a habit that must change into adaptation of re-cycling techniques that contribute to rational water use.

## LABOR

### Objective

- To determine the education levels of CoK staff and their relevancy to their jobs (degree of discrepancies).
- To identify type of training needed for different types of specific skills, and whether skills can be offered by any of the local institution.

### Findings

- Out of 135 CoK staff interviewed, only 34.8 percent had diploma/degree level.
- Majority of respondents around 70 percent refused to comment on the relevance of their jobs. However, it was observed that majority of respondent need immediate training.
- The overall comparison of salaries between CoK employees and employees from other organizations reveals that CoK pays, less salaries to top officials. However, it pays more salaries to the middle level officers.
- It was observed that CoK offer only overtime and company sponsored events as incentive schemes to their employees. This had caused most of qualified staff to run to the other organizations, which offers more attractive packages.
- It was observed that CoK has adopted **SUREMED** health scheme, whereas other organizations have health insurance to ensure their employees and their next of kin's.

### Recommendations

- Increase the percentage of diploma/degree holders from 34.8 percent to at least 75 percent in the next five years.
- Reassess all job requirements with the purpose of:



- Reallocating staff according to their qualifications
- Designing human resource development programs

The fact that only about 24 percent of the staff agreed that their education is relevant to their jobs this leaves a lot to be desired. Basically, this implies that such a situation affects both efficiency and effectiveness of service delivery in the city of Kigali. Reevaluate departmental as well as organizational needs and goals.

- Base organizational analysis on overall performance.
- Conduct job analysis i.e., a broad analysis of the job requirement, analysis of the particular skills to do the job, a detailed study of the responsibilities, duties and tasks, analysis of the knowledge and skills required by the jobholder, and description of the training requirements for the job.
- Understanding the need for competitive salaries in order to attract and retain highly qualified staff. It is advisable to know what other competing organizations offer for similar or equivalent job positions before setting salaries.
- Introduce new incentives such as:
  - Subsidized plots for staff
  - Housing loans for all staff
  - Car loans for top-and middle-managers
  - Contribution to the staff group insurance
  - Subsidized company cafeteria-to help staff get nutritional meals at reasonable prices and also reduce the time spent looking for restaurant around the city
  - Savings and credit cooperative society to encourage thrift amongst employees

## **CAPITAL**

### **Objective**

To assess investment by private/public sector in CoK so as to bring about environmental improvement and infrastructure development.

### **Findings**

- CoK is the major contributor to its budget from different sources of revenue. There was no central government funding for the past five years.
- Due to lack of planning documents, it was difficult to assess which areas were given priority and what extent the City had been able to implement its plans successfully.



- It was observed that, properties invested in areas where infrastructure such as roads, electricity, water are poor their rents are far below market rates.
- As of now there is no single venture capital in Rwanda.

### **Recommendations**

- CoK should lobby to the central government for its contribution to the CoK budget.
- The CoK should maintain proper budget and accounts records, which may be available for public use.
- Provide information to business on matters such as vacant premises and sites, local market conditions, housing availability and sources of finance.
- Use trade fairs or trade delegations to ensure the message is not restricted to a domestic audience but also reaches potential overseas investors.
- Conduct further studies to determine the trend of private investments and their altitudes towards the City of Kigali.
- Provide local authority-owned land for industrial and commercial development.
- Supply on-site infrastructure (roads, drainage, etc.).
- Form partnerships with the private sector through local enterprise agencies to act essentially as a business development organization and to assist both new and existing enterprises by providing information and business counseling. The Local Enterprise Agency (LEA) has to coordinate with stakeholders such as RIPA, CAPMER, and FRSP to avoid duplication of effort.

## **BUSINESS ENVIRONMENT**

### **Objective**

To assess microeconomic policies, government efficiency/effectiveness/transparency, public services, regulatory requirements and procedures and business service support.

### **Findings**

- Rwanda exports an average of US dollar 16 per capita compared to an average of US dollar 100 in Sub-Saharan Africa.



- The heavy dependency on two export crops makes the country vulnerable to external price shocks.
- The level of private investment is very low, at 8 percent of GDP in 1999.
- It was observed that Rwandan Franc has continued to depreciate relative to other major currencies especially the US dollars for the past four years.
- Rwanda's foreign exchange resources come from donors and are disbursed through the government.
- Little export diversification- Rwanda relies heavily on tea and coffee for foreign exchange earnings.
- Performance of exporters to keep their currency in foreign currency rather than Rwandan Francs.
- Foreign exchange restrictions laid down by the National bank of Rwanda do not entice foreign currency holders to keep their monies in Rwanda.
- Banking sectors are inefficient resulting into huge NPL and bigger margin for administrative expenses.
- Interest rates are very high, however, inflation rates are very low.
- There is a lack of capacity for implementing privatization program.
- There is a poor demand for State Owned Enterprises for sale.
- There is a lack of capacity and financial management skills in the banking sector, especially in credit management and recovery.
- Government arrears to the private sector, estimated to be up to 18 billion FRw.
- There is only one type of bank saving account in commercial banks in Rwanda that is fixed term deposit.
- As of now there is no financial services available in Rwanda.
- Whereas the theoretical setting of the decentralization process in Rwanda in general and CoK in particular appears to be on the correct path, there is a potential danger of failure because of total lack of preparedness.



- One of the problem hindering the implementation of Medium Term Expenditure Framework (MTEF) is improper capacity building in both core and line ministries.
- The condition of public toilets in CoK is alarming. This is due to the fact that there are very few public toilets as compared to the number of people who spend their daytime within the City. Furthermore the number of public toilets needed in the City is not known hence it is difficult to plan for their availability.
- About 86 percent of the households with CoK has toilets whereas 14 percent have no toilets. Given the number of households without toilets, it means that the impact from their waste disposed is big enough to affect those with toilets.
- Out of 20 trucks needed for effective trash garbage collection within the City, only 8 trucks are available currently. This explains why different wastes are scattered in most of places of the City.
- There is no data available on solid waste characteristics for each district. However, it has been estimated that the population within the City produces about 450 tones of garbage per day and only about 60 percent of the garbage are collected.
- It was observed that, sewage and drainage systems almost do not exist within the City.
- Rwanda is being regarded by foreign investors as a risk country due to its history hence it becomes difficult to market Rwanda as a product.
- It takes long time for parliament to pass the bill even if is urgent.

### **Recommendations**

- There should be concrete steps towards improvement of the image of the country that is positioning Rwanda as a place to invest in.
- Do whatever possible to ease the burden of NPL on banks, while the banks deserve prudence in their management. Both measures will help reduce the interest rate charged on loans.
- Improve on both monetary and fiscal policies so as to create a more stable environment.
- The foreign exchange regulations should be revised with the purpose of manning availability of foreign exchange with minimum bureaucracy.
- Diversify the economy and reduce the country's reliance on coffee and tea.
- Produce more to send to the export market. The BNR should improve on its foreign exchange regulatory policies.



- Increase efficiency in the banking system.
- Establish a free port at Kanombe Airport so as to stimulate business with neighboring countries such as Tanzania, Uganda, Congo, and Burundi.
- Assist in negotiating with neighboring countries such as Uganda, Kenya and Tanzania, so that Rwandan business people can start using railway for transportation of goods instead of road transportation, thereby reducing transportation cost.
- Speed up the privatization of the energy and telecommunication sectors so as to make them operate efficiently with the purpose of reducing factor costs.
- Improve the legal system and speed up the establishment of a commercial court in order to protect banks from the increase of Non-Performing Loans (NPL) which can help decrease interest rates.
- Involve the private sector in setting new tax rates, and also in harmonizing local taxes with income taxes.
- Reduce the number of holidays that lead to the closure of businesses such as markets where perishable goods deteriorate, thus causing huge losses to the owners. Study the impact of these holidays on the business community.
- Establish permanent institutional support such as Small Industries Development Organization (SIDO) (instead of CAPMER, which is a project in nature). This will help to foster the growth and development of small industries in the long term, through coordination of the following functions: co-ordination, industrial development, and extension services.
- Speed up the establishment of new Enterprise Zones, in which the occupants shall have to strictly abide to the EZ regulations.
- In addition to being a member of MIGA, Rwanda should also think of joining Africa Trade Insurance Company so as to ensure maximum security to investors.
- Furthermore, the CoK should take purposeful measures to build its name in the sub region, and beyond aiming at making CoK one of the best destinations in the region.
- With the fact that an average of only about two people visits RIPA's office per day, this calls for promotional campaign both within and outside the country with the purpose of making it known to a larger public.
- The CoK officials should streamline administrative procedures that delay the securing of the land needed for investment as well as title deeds, If possible, special section should be



- established at CoK HQ with the purpose of ensuring that all documents needed by investors are available within the shortest possible time.
- Devise a comprehensive policy that will create a conducive environment for the micro finance sector.
  - Reduce the 2.5 percent fee charged to loan applicants who seek the CoK's recommendation regarding collateral ownership within the city. This measure can accelerate investments within the city, as loans will be cheaper.
  - Create an umbrella organization that will coordinate all the micro finance organizations at national level. This organization should be charged with setting standards and acting as a spokesperson for its members.
  - Recapitalize UBPR through a one-time capital injection to ensure the long-term viability of the institution.
  - Ensure, through the office that is charged with coordination of micro finance, that the list of participating organizations and their respective areas or beneficiaries is updated so that it will be easier to monitor their success or failure to render necessary assistance when required.
  - Approach organizations such as USAID, which have had experience in other countries, for technical advice.
  - Practice the financial management disciplines of capital reserve accumulation, delinquency control, loan loss provisions and liquidity management.
  - Encourage commercial banks to establish a micro finance portfolio.
  - Make a concerted effort at the national level to mobilize deposits, because it has been proved that more small loans can be generated from savings made by small depositors.
  - Ensure that all roads are passable throughout the year, and that essential amenities such as water and power are available to make all places equally habitable.
  - Streamline all administrative procedures that delay land allocation and issues of title deeds.
  - Revise the issue of Umuganda on Saturday, so that instead of asking people to contribute physical labor, employers can pay cash for the employees and that money can be used to hire machinery, for example for road construction.
  - Educate the business community about the types of local taxes they are supposed to pay to CoK.





- Collaborate with KIST in terms of solid waste management, solar energy, rainwater harvesting, food processing, as well as the areas of wood-efficient stoves and bread-ovens.
- Introduce a certificate of deposit (CD) market and ordinary savings accounts with interest. The certificate of deposit (CD) has an advantage over time deposit in that is negotiable, that is the holder can sell it at any time before the maturity of the deposit in order to obtain cash. On the other hand, the advantage of a CD to the bank which issues it, is that the deposit remains with the banks for fixed period of time and the funds are not withdrawable until the time deposit matures (i.e., like an ordinary time deposit). In addition, the introduction of ordinary savings account with interest will attract more people to save their money in the banks since they are assured of withdrawing their money as they please while the outstanding balance attracts interest.
- Ensure that promised financial transfers are carried out. Presidential Order No. 08/01 of May 20, 1997, relating to the transfer of various central government functions to CoK, transferred a number of functions and responsibilities to CoK. The same law stipulated that on top of human and logistical support, the portions of the budgets that covered such transferred functions would correspondingly be transferred to the CoK. This has not happened as was intended. This has exerted additional pressure onto CoK. Whereas some staff members were transferred from relevant central government departments, the budgets that covered the transferred functions have not been transferred to-date.
- Experience so far has shown that where the central government has promised financial transfers to CoK or allocated funds in the national budget meant to benefit CoK, the actual transfers have been untimely inadequate or simply not done at all. More commitment is required from government to effectively support CoK to meet the responsibilities transferred to it. It should be noted that whereas Kigali City contribute 80 percent of all the national revenues, only 0.5 percent of the national budget has been dedicated to CoK and 8 percent to all the 12 provinces of Rwanda in the national budget of Year 2001.
- Conduct a study to determine the appropriate number and places for public toilet constructions. In addition, attend to the following:
  - All places with a high number of commuters such as markets and bus stands should be given priority.
  - Existing public toilets should be cleaned regularly so that people can be attracted to using them instead of going to the bush or other hiding places in the city.
  - Privatize all public toilets under the control of CoK.
  - Allocate land to private entrepreneurs for public toilets.
  - Privatize and commercialize the trash/garbage collection.

- People should be sensitized through health committees on the importance of proper handling of their domestic wastes.
- Install separate containers for different types of waste in waste collection centers, e.g., a container for organic waste.
- Implement a strategy concerning waste and garbage that includes the following:
  - Market refuse should be utilized for making fertilizers, which can be sold, to gardeners or farmers, thereby creating jobs.
  - Vegetable peels can be used for animal feeding.
  - There should be a study of how waste can be converted into charcoal, while waste from carpentry works can be used directly as fuel in special stoves.
  - A study should be conducted in all districts to determine the length of places for sewerage and drainage construction in CoK. Those places that pose more threat to the public should be the first to be constructed.
  - Drainage system can be employed in an effort to improve public health by preventing the spread of malaria. This type of drainage is known as “anti-malarial drainage” and is provided in low-lying areas where stagnant water forms an attractive breeding place for mosquitoes. Efficient drainage of these areas eliminates this health hazard and often results in further development of these areas after improvement by the drainage exercise.
  - Involve people in identifying, planning and construction of sewage and drainage systems so that they can see the importance of their participation in solving their own problems. This will also result in minimizing the cost.
  - People should also be involved in managing the sewage and drainage areas, for example to make sure that no person obstructs water movement in a drainage system by disposing of solid waste in the drainage. People can form committees, which will oversee those areas.
  - It should be a precondition that every new business engaged in production should prove how it will handle waste. Current businesses which do not handle their industrial wastes intelligently should be asked to close.
  - Ensure that each household has a toilet.
  - People on the importance of having and using toilets.
  - Teach people how to construct and use ventilated improved latrines (VIP) for improved hygiene.



- Use the elected representatives in charge of health matters to sensitize the population within each sector.
- List of the households without toilets and give them an ultimatum for toilet construction.
- Enact by-laws which will take care minor offences, whereby a household without a toilet can be fined.
- Ensure that plots allocated have enough space for toilet construction.
- Speed up the approval of industrial policy so that it gives a clear direction to the industrial sector.
- Assist in introducing information technology in the industrial sector.
- Link the industrial sector with the local institutes of technology such as KIST so that operators and technicians can be trained on how to maintain their machines.
- Introduce Small Industries Services Institutes (SISI) to provide consultancy and training to small entrepreneurs both existing and prospective. Their functions will be: to serve as the interface between Central government and Local Governments to render technical support services; to conduct entrepreneurship developments; and to initiate promotional programs.

#### **PART D: AN ANALYSIS OF CURRENT CITY OF KIGALI REVENUE CAPACITY INCLUDING AN ASSESSMENT OF OPPORTUNITIES AND CONSTRAINTS FOR INCREASING REVENUE**

The purpose of this part is to achieve the following:

- To assess the scope, efficiency and effectiveness of existing revenue sources. Assessing the existing mix of revenue bases and tax rates/services as to whether each is productive, buoyant, equitable, and worth implementation.
- To assess the problems of the current revenue collection operations, including record keeping; guidelines on revenue collection procedures; personnel training; supporting technology; financial incentives to encourage high collection rates; and effectiveness of enforcement policies tools and procedures.
- To assess the potential for new revenue sources: the opportunities for and constraints to the establishment of a new revenue structure for CoK, including a new fiscal relationship with the central government.
- To assess the potential for introducing alternative financing mechanism with regard to economic development.

The study findings were:

- The general level of resources mobilized is low and there are wide disparities in revenue mobilization among Districts which is due primarily to differences in economic base, rather than differences in management capacity.
- The Districts' (Communes) revenue base is very narrow. Revenue is primarily generated by flat taxes or fees imposed on small -scale activities. In this way, revenues are static; they do not reflect changes in the level of economic activity within the Districts. In addition, major economic activities within Districts' jurisdictional areas are not subject to local taxation and, therefore, do not contribute directly to the local revenue.
- Districts that have more significant revenue flows make sizeable transfers to their development budgets. However, the potential for leveraging additional resources for the development budget through loans is not part of CoK development financing strategies. This is due to a combination of a lack of skills and knowledge, inadequate management systems, and constraining legal framework.
- Although at present the CoK has a narrow tax base, it has nevertheless not fully utilized the potential for increasing the revenue. As such the trends in revenue collection are not in line with the expectations.
- The biggest source of revenue for the CoK is Urban Physical Planning Department, which contributes almost FRW 1.3 billion towards total revenue. But this amount is not even half the potential, which this department can generate. The department suffers from extreme lack of efficiency and improper records. It is estimated that the bad filing system and ignorance by the staff is making the department lose more than one billion in revenue per year.
- The department of finance and economic Planning is the second biggest source of CoK revenue. It has potential of collecting FRW 61.7 million per month. But as per records available, the department collects only FRW 32.2 million per month thus losing almost FRW 353 million per year. Improper record keeping and collusion between taxpayers and tax collectors are one of the biggest causes of the poor collection.
- Kacyiru and Nyarugenge was the biggest contributor of revenue during the Year 2000 having 38 and 37 percent share respectively. However the data according to present district distribution will be available only after the end of fiscal year of each district.
- The contribution of Department of physical Planning comes from Kacyiru followed by Kicukiro. Whereas in Nyarugenge, the Department of Finance and Economic Planning was in lead. This is primarily due to lopsided development of commercial activities in various districts.



- On the expenditure side, most of the expenses were on administration (salaries) and repair and maintenance, and very little amount is being spent on development of economic activities, health and education. This is not a favorable trend for the development of the City.
- There is no co-ordination between the various departments and one of the reasons for fiscal discipline is lack of co-ordination between the departments.
- The administrative set up of CoK was decentralized with effect from 1st June 2001. Although it is expected that the decentralized set up will facilitate revenue collection operations it is however observed that districts are not fully prepared to meet this challenge. There is lack of trained staff and appropriate systems are not yet in place.
- The privatization of revenue collection operations in Physical Planning Department had increased the collections during the current year.
- There is no proper system of maintaining books of accounts and all books of accounts are incomplete and irregular. Single entry system is dominant and the staff involved in the account keeping is not qualified at all.
- In the districts, the situation of book keeping is rather dismal, as there is no staff at all in some of the districts.
- Although computerization of accounts is claimed to be present, the software used is obsolete with very little applications.
- The recovery of the taxes is quite poor with default rate of more than 30 percent everywhere.
- There is a lack of proper training system in all types of jobs related to revenue collections operations in CoK.
- There are different systems of revenue collection used in CoK. The Department of Finance and Economic Planning is collecting the revenue through tax collectors and the Department of Urban Physical Planning, the taxpayer himself has to deposit the tax on the departments bank accounts. Other department charges levy at the time of providing users services.
- The collection system is characterized by many weaknesses. Tax collection efficiency is very low and the morale of tax collectors is quite down due to low wages.
- There is no incentive system in place for tax collectors and taxpayers.
- The enforcement policies though in place are not very effective. One of the reasons for mounting arrears is the existing enforcement policy, which are not effective and need total overhaul.

- The awareness of local population with regard to commune tax obligations is not good. Residents with regard to their obligation for the payments of services which city of Kigali is providing to them.
- Although the executives of CoK claims that there is a system for educating people for gaining support for local taxes, it was found that the effort is too meager to make any impact on the tax payers and on the amount collected.
- Majorities of the taxpayers are dissatisfied with the basic charges.
- Majorities of the taxpayers are not influenced by imposition of penalty to pay their tax dues in time.
- None of the respondents complained about either collection procedure of local taxes by CoK or the insecurity to their business and property.

### **Recommendations**

In view of the above findings, it clear that improving revenue collections will not only encompass new sources but also revamping the collection methods so as to realize more finds from existing sources.

The following are suggestions for revamping the existing revenue collection systems, introducing new taxes and for new sources of funding:

- A new property tax should be introduced. This will require that the Physical Planning Activities be quickly decentralized to the district level so that the new tax can effectively be charged.
- Communal tax Law should be prepared and enacted. The current law states the areas where taxes are applicable, but it doesn't categorically define the enforcement tools and procedures.
- Registration of all business centers/premises should be applied for and approved at district level. This will move the collection of fees payable for these services more efficient.
- The fiscal relationship between RRA and Local governments should be changed in favor of Districts revenues vis a vis type and size of the business.
- There should be a standardised accounting system in all districts. Although computerisation of accounts is claimed to be present, the software used is obsolete with very little applications. There is need to procure and use latest accounting software for keeping of accounts. There will also be need for training in computerised accounting for the existing staff.
- The door to door tax collections system should be done away with. It is suggested that the current system should remain for the small-scale business, while the medium and large scale businesses should deposit their monthly tax obligations directly in the common bank accounts



of CoK and districts. If this is properly effected it will help in the reduction of collection costs and avoiding collusion between the collectors and payers, which currently contributes to the diversion of tax revenues. The system of depositing taxes in the bank accounts will foster the legal binding for the local tax obligations.

- If the existing system of collection from door to door is to continue then there should be a lucrative incentive system in place for tax collectors and taxpayers so that the scope for misappropriation and dissatisfaction is minimised.
- The taxpayers were of the opinion that if services are improved, they don't mind sharing the cost. But if the situation remains as it is, then the existing tax rates are high.
- Tax enforcement policies also need to be substantiated by the appropriate revenue collection procedures, which so far are missing. These procedures need to include various penal clauses and incentive system for taxpayers to make the recovery speedier.
- Enforcement policies also need to be augmented by appropriate revenue collection procedures, which so far are missing. These procedures need to include various penal clauses and incentive system for taxpayers to make the recovery speedier.
- There is a need for proper training system in all types of jobs related to revenue collection operations in CoK.
- The local taxes and market dues should be based on the level of activity, volume of business, area or space occupied and not on the flat basis. The rates of local taxes should vary from area to area.
- There should be a wide range of fax Education covering the need and importance of local taxes through public gatherings/meetings, Radio and TV advertisement.
- There is need to carry out further privatisation in other revenue collect in departments. This will help to great extent in increasing the revenue collection however, placement of existing permanent staff in other jobs will have to be catered for.
- Some of the revenue sources such as organised parking system, garbage collections should be privatized and used as measures for cost effectiveness.
- Comprehensive data base should to be developed through a complete census to be undertaken for each sector of the economy so as to know what exactly is in place and where. The most important components of database in this sense should include population, employment, and industrial surveys at provincial and district level so that disparities are eliminated.

- There are potential areas for increasing the tax base in the city of Kigali. New taxes can be introduced. In the following areas:
  - Fuel Surcharge
  - Professional Tax
  - Property Tax
  - Entry Tax
  - VAT Contribution

Note that these taxes will only effects those who have the capacities to pay.

It is very important that CoK initiate some of its own commercial activities solely or in collaboration with private partners. Establishment of conference facilities and recreation hall for public can mean initial investment, which can be sought from banks or other funding agencies, but proper viability can bring revenue for CoK on long term basis for the local authority.

There has been considerable argument over sharing of the resources collected by local authority on behalf of the central government or otherwise. The CoK officials are of the feeling that there should be more funding coming from the central government for CoK. The process of decentralisation and the procedures for accounting recently adopted by the government incorporate some of the above suggestions. As per the recommendations of new policy provisions have been laid down and it is recommended that they should be adopted by CoK and Republic of Rwanda.

Other sources of revenue are:

- CoK could initiate its own commercial activities either solely or in partnership with private individuals/companies in order to generate more income.
- To the process of decentralisation brought some activities from the central government to the districts, the central government should also devolve funds to the CoK for running the decentralised activities.
- Funds could also be saved by following proper payment procedures for every item stated in the budget for proper financial discipline. The system of expenditure has been devised under the "Financial Management and Accounting procedures, Ministry of local government" which must be followed.





## **DONOR FUNDING**

For Poor countries like Rwanda donor funds contribute a lot in the development process. While there is an effort to generate local revenues for sustainable developments, the efforts to bring donor contribution should not be left behind. In fact it is important for the CoK to concentrate on recurring budget from local resources and should seek the development budget from donor institutions. This type of funding can help CoK in initiating some big projects in the area of city tourism, development of infrastructure and increasing commercial activity base. All these activities shall become a source of revenue in the long run.



**ATTACHMENT**

**Cost Report**

**Contract Quarterly Financial Report**

Contract No. USAID Contract No. LAG-I-00-99-00036-00 (Sustainable Urban Management)

Contractor: THE URBAN INSTITUTE

UI Project No. 06967-007

For the Quarter Ending: 12/31/01 (Booked expenditures through 12/31/01)

UI Project No.	Task Order No.	Task Order Name	Country	Ceiling Price	Authorized Expenditures (Total Amount Obligated)	Actual Expenditures Booked through 12/31/01	Balance Available	Effective Date	Estimated Completion Date	Actual Completion Date	LOE Authorized (Days)	LOE Used	Balance in Days + / (-)
06967-007	OUT-LAG-I-805-99-00036-00, Task Order 804	Research Design for Kigali Economic Development Strategy	Rwanda	58,033	58,033	25,620	32,413	09/01/01	03/30/2002	TBD	33	17	16
<b>TOTAL</b>				<b>\$ 58,033</b>	<b>\$ 58,033</b>	<b>\$ 25,620</b>	<b>\$ 32,413</b>				<b>33</b>	<b>17</b>	<b>16</b>

Actual costs reflect data recorded by the Urban Institute's reporting system through 12/31/2001; accrued expenditures (such as subcontractor and consultant invoices, travel expenses, and other direct costs not yet received by UI) are not included.